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Western groups wait for the prize
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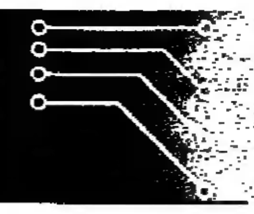
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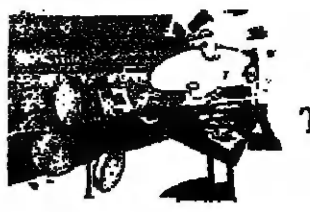

TOMORROW'S
Weekend FT
The money men in the beautiful city

FINANCIAL TIMES

Europe's Business Newspaper — FRIDAY AUGUST 19 1994 — D8523A

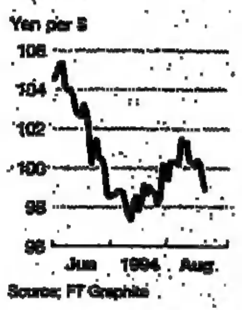
BASF up 41% in first half as volumes improve

BASF, first of the big German chemical groups to report half-year results, posted pre-tax profits up 41.4 per cent to DM683m ($435m). Volumes were up 9 per cent year-on-year, but prices, on average, remained 2 per cent down on the same period last year. Sales in Germany fell 2.3 per cent as the country continued to struggle with recession.

The results were at the lower end of analysts' expectations because of heavy restructuring charges in North America and a decline in earnings from interest and currency transactions. Page 17; Lex, Page 16

US ethical fund turns against Body Shop: US-based ethical investment manager Franklin Research & Development has advised its clients to sell their shares in Body Shop International, UK-based natural toiletries producer and retailer, partly because of concerns about forthcoming press criticism of some of the company's social and environmental activities. Page 17

Dollar slips below Y100 despite rates rise



Source: FT Graphite

Despite the 50 basis point rise in US interest rates earlier this week, the dollar yesterday slipped below Y100 again. The catalyst for renewed weakness was the Bundesbank's decision to keep its rates on hold, lending further strength to the D-Mark. A jump in the US's bilateral trade deficit with Japan in June also prompted further dollar selling. Currencies, Page 32; Japanese money supply picks up, Page 4; Sony blames strong yen for 49% profits fall, Page 21

Albania seeks foreign investors: Albania, the former hardline communist country, will begin privatising its main state-owned utilities this autumn and wants the participation of foreign investors, President Sali Berisha said. Page 16

Brown says Nafta works: US commerce secretary Ron Brown said the North American Free Trade Agreement was "living up to its promise", but statistics showed that the US trade deficit with Canada was growing and its surplus with Mexico shrinking. Page 16

Euro Disney's finance chief quits: Euro Disney, the leisure group which recently completed a FFr13bn ($2.42bn) refinancing, said Michael Montgomery was resigning as chief financial officer less than 18 months after being brought into the group from Walt Disney, its US parent company. Page 17

China in $888m coal pipeline deal: China signed a ground-breaking $888m agreement with a US-led consortium for construction of what is reputed to be the world's longest coal slurry pipeline, to be completed by 1997. Page 16

Algeria earthquake kills 150: An earthquake measuring 5.6 on the Richter scale killed nearly 150 people and injured 200 more in western Algeria.

Fall in capital expected at Lloyd's: Agents at Lloyd's of London expect the insurance market's capital base to fall in 1995 to £10.3bn ($16bn) from £11bn this year. The forecast is more optimistic than had been expected in some quarters. Page 7

Drugs industry increases trade surplus: The UK pharmaceuticals industry increased its trade surplus from £1.329bn ($2.04bn) in 1992 to £1.672bn last year, the biggest percentage rise since 1980. Exports were up from £2.998bn to a record £3.685bn, while imports rose from £1.663bn to £2.013bn. Page 7

Varig offers board places for financial aid: Varig, Latin America's largest airline, has proposed offering board seats to McDonnell Douglas and General Electric in return for help with its financial restructuring. Page 19

Dublin crime boss shot dead: Martin Cahill, a Dublin crime leader known as The General was shot dead at the wheel of his car near Dublin city centre. The Irish National Liberation Army claimed responsibility.

Ericsson ahead 78%: A surge in sales of mobile telephone equipment helped Swedish telecommunications group Ericsson raise first-half pre-tax profits 78 per cent to SKr2.29bn ($290m). Page 17

Nobel Prize author dies: Nobel Prize-winning author Elias Canetti died in Zurich aged 89. Obituary, Page 13

STOCK MARKET INDICES

FT-SE 100:	3182.6	(-7.7)
Yield	3.96	
FT-SE Eurotrack 100	1352.63	(-10.14)
FT-SE-A All-Share	1593.74	(-0.2%)
Nikkei	20,862.77	(+38.21)
New York: lunchtime		
Dow Jones Ind Ave	3771.62	(-4.86)
S&P Composite	464.12	(-1.05)

US LUNCHTIME RATES

Federal Funds:	4 11/32%
3-mo Treas Bills: Yld	4.667%
Long Bond	100 7/16
Yield	7.457%

LONDON MONEY

3-mo interbank	5 17/32%	(5 7/16%)
Liffe long gilt future:	Sep 100 12/32	(Sep 101 3/32)

NORTH SEA OIL (Argus)

Brent 15-day (Oct)	$16.725	(-0.09)

Gold

New York Comex	$385.9	(382.5)
London	$380.45	(377.95)

STERLING

New York lunchtime:		
$	1.546	
London:		
$	1.5457	(1.5388)
DM	2.3889	(2.4009)
FFr	8.2076	(8.232)
SFr	2.0079	(2.0171)
Y	153.050	(154.275)
£ Index	78.7	(78.8)

DOLLAR

New York lunchtime:		
DM	1.5456	
FFr	5.3103	
SFr	1.2991	
Y	99.025	
London:		
DM	1.5445	(1.5603)
FFr	5.307	(5.3498)
SFr	1.2984	(1.3109)
Y	98.75	(100.25)
$ Index	62.8	(63.2)
Tokyo close Y 99.88		

Austria	Sch32	Greece	Dr350	Lux	LFr65	Qatar	QR13.00		
Bahrain	Din1.250	Hong Kong	HK$18	Malta	Lm0.60	S.Arabia	SR11		
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30		
Bulgaria	Lv60.00	Iceland	IKr215	Neth	Fl 4.00	Slovak Rp	Ks50		
Cyprus	C£1.10	India	Rs60	Nigeria	Naira50	South Africa	R12.00		
Czech Rp	CZK50	Israel	Shk8.50	Norway	NKr17.00	Spain	Pta225		
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr18		
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30		
Finland	FM14	Jordan	JD1.50	Philippines	Pso50	Syria	S£50.00		
France	FFr9.50	Kuwait	Fils.625	Poland	Zl 32,000	Tunisia	Din1.500		
Germany	DM3.50	Lebanon	US$1.50	Portugal(mainland) Es225		Turkey	L30000		
						UAE	Dh12.00		

End in site for compensation litigation ■ Judge approves $1.3bn out-of-court settlement

US deal could settle asbestos suits

By Richard Lapper and Tim Burt in London

The end of a multibillion dollar litigation that has forced many asbestos companies to close and has posed a threat to insurers could be in sight after the approval of a $1.3bn out-of-court settlement in the US.

Judge Lowell Reed, a federal judge in Philadelphia, this week approved the deal which involves 20 asbestos companies.

Approximately 100,000 Americans who have been exposed to asbestos will receive compensation if they contract certain diseases, in a deal between lawyers and the Centre for Claims Resolution, an asbestos industry body formed in 1988 to handle personal injury claims.

Under the scheme, victims of mesothelioma, a cancer of the lining of the lung, will receive between $20,000 and $200,000 and victims of other lung cancers between $10,000 and $86,000. Awards will be $5,000 to $32,000 for other cancers linked to exposure to asbestos and between $2,500 and $30,000 for non-malignant diseases

The total awards paid each year will also be capped, further reducing the average level of individual awards.

The centre represents only about a quarter of the now largely defunct US asbestos industry. But Mr Lawrence Fitzpatrick, chief executive, said other former asbestos companies were interested in expanding the scheme which could "serve as a model for resolution of the problem".

Some 200,000 legal claims – which are not covered by this week's deal – have been filed. Total costs already amount to some $10bn, with much of the burden falling on insurers.

Insurers, who are expected to fund about two-thirds of the US settlement, should benefit from the deal.

"This is a significant development for the bottom line of many companies who will now no longer need to wonder how much they have to pay," said Mr Steve Goldstein, vice-president of the Insurance Information Institute, a New York-based industry body.

The troubled Lloyd's of London insurance market could also get some relief from the settlement, which could allay its worst fears about huge claims in US courts. The extent of the London market's exposure to the companies involved in this week's settlement is not yet known.

However, final approval of the deal is uncertain, principally because lawyers for victims or potential victims are divided.

Mr Ron Motley, one of the attorneys acting for potential beneficiaries, said the decision "puts an end to asbestos gridlock that has meant victims dying on the court house steps".

However, other lawyers oppose the deal and will appeal. Mr Brent Rosenthal of the Dallas-based lawyers, Baron & Budd, said people who have not yet developed asbestos-related diseases were effectively being asked to give up their legal rights. In addition, he criticised the ceilings on the awards.

Britain's T&N, the second-largest company represented by the centre, predicted yesterday that the settlement would lead to a significant reduction in its liability provisions for asbestos-linked legal action.

Cost cuts and higher sales drive VW back to profit

By Christopher Parkes in Frankfurt

Volkswagen, Germany's biggest motor vehicle group, returned to profit in the second quarter, attributing the improvement to restructuring and higher sales.

It made a DM133m ($84.7m) net profit in the quarter after a DM342m deficit in the first three months. As a result, the first-half loss was reduced to DM209m compared with DM1.6bn in the first six months of 1993, when the results were held back by huge rationalisation expenses.

Forecasting a slow revival in demand and more benefits to come from cost-cutting, VW said yesterday it expected to break even for the full year. In 1993 as a whole, VW lost DM1.9bn.

Analysts said the results were better than expected, and showed clear signs that savings on labour and material costs were now coming through. Mr Stephen Reitman at UBS in London said gross margins of 9.8 per cent in the first half were VW's best for three years.

While production rose 3.9 per cent to 1.56m vehicles, operating expenses which include materials and labour costs increased only 2.7 per cent, he added.

On performance so far, he expected a modest group profit for the full year, noting that official group forecasts had become much more cautious since last year's predicted advances failed to materialise.

According to yesterday's report, the number of vehicles shipped to dealers rose 8.5 per cent to 1.6m in the first half, and deliveries to customers increased 7.8 per cent to 1.78m.

Customer sales for the group in Germany fell 3.9 per cent, slightly reducing market share to 29 per cent. However, this was offset by a 7.5 per cent rise elsewhere in western Europe. This resulted in a 3 per cent overall increase in the region and a decline in market share from 16.9 to 16.5 per cent.

According to latest industry estimates, western European new car registrations rose 6.6 per cent in the first seven months of the year.

Group turnover for the first half was up 6.4 per cent at DM40.8bn while sales for Volkswagen AG, the German parent, slipped 4 per cent to DM21bn. German production fell 1 per cent to 698,000 units, but output from foreign factories jumped 8.2 per cent to 862,000.

This surge included a 19 per cent rise at Seat, the recently rescued Spanish subsidiary which was blamed for most of last year's huge losses. Customer sales of Seat marque vehicles increased 23 per cent in the review period.

Sales in China, the group's key developing market, rose 14 per cent to 73,500, while south America and South Africa together recorded a 32 per cent advance to 272,000.

Mandela's 100th day

South Africa's president, Nelson Mandela (above), yesterday celebrated his 100th day in office with a speech to parliament in Cape Town promising to transform society after the end of the apartheid era. Mr Mandela's speech, broadcast live nationwide, was intended to reassure South Africans that he would not put the demands of potential investors and nervous whites above the needs of those disadvantaged by apartheid. Details, Page 4 Picture: Reuter

Russians held for plutonium trading

By Christopher Parkes in Frankfurt and John Thornhill in Moscow

Anxiety about nuclear material being smuggled out of the former Soviet Union grew yesterday when Russian police confirmed they had arrested three men trying to sell a quantity of plutonium for $1m in the Baltic naval port of Kaliningrad last week.

The police admission, which follows heated denials from Moscow that plutonium allegedly found in Germany last week and earlier this year has been Russian, coincided with efforts in Bonn to defuse speculation about an impending clash with Moscow over plutonium smuggling.

Although there has been only one reported find of what could accurately be described as weapons-grade plutonium in Germany – around 5 grammes seized more than three months ago – last week's highly publicised police action at Munich airport sparked widespread criticism of Russian security. There was no way the latest scare, sparked by three arrests and the capture of nuclear material at Munich airport last week, would lead to a crisis in relations between the two capitals, Mr Friedrich Bohl, minister in Chancellor Helmut Kohl's office, said yesterday.

Smoothing the way for the arrival in Moscow this weekend of a delegation of nuclear experts led by Mr Bernd Schmidbauer, Mr Kohl's security adviser, Mr Bohl said the two sides were already negotiating possible co-operation agreements.

Moscow had already basically agreed that German experts might be allowed to work jointly with Russian specialists to check security measures in a Russian nuclear fuel reprocessing plant, he said.

But the arrests in Kaliningrad will heighten fears that criminal gangs have gained access to nuclear materials in the former Soviet Union in spite of persis-

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Clinton urged to act on flood of Cuban refugees

By James Harding in Washington

Governor Lawton Chiles of Florida yesterday declared a state of emergency and called on President Bill Clinton to provide federal help to cope with the growing tide of Cuban refugees reaching the US state.

The arrival of hundreds of refugees daily has prompted US officials to conclude that Cuban President Fidel Castro has carried out a threat to the US that he would allow Cubans to leave the country without restriction.

"We will not allow Fidel Castro to dictate our immigration policy," said Ms Dee Dee Myers, the White House spokeswoman. The statement follows the rapid deterioration of relations between the US and Cuba, where the suppression of an anti-Castro demonstration earlier this month has heralded a new wave of refugees.

In recent weeks, Washington has said it will not allow another surge of Cuban refugees fleeing a government which oppresses its people and mismanages its economy. Mr Castro has suggested that the US is getting what it deserves in dealing with an influx of people trying to escape the hardships caused by a US trade embargo.

US relations with Cuba have deteriorated over the past month following a series of boat hijackings by refugees attempting to flee and clashes in Havana, which Mr Castro blamed on Washington.

The Miami Coast Guard has picked up 2,223 refugees this month, bringing the total to 6,954 for the year so far, nearly double the 3,656 Cubans who crossed the 90-mile Florida Straits last year. It handled 547 refugees on Wednesday after nearly 600 in the first two days of the week.

US State Department officials believe Mr Castro has informally eased restrictions on Cubans seeking to leave the country. "It appears at this point that the systems of control seem to have been lifted," one official said. The department said it was looking at "contingency plans for dealing with a mass exodus".

The Clinton administration is advising Cubans not to "risk life and limb" in attempting to make the crossing to Florida and has warned the Castro government that it will not tolerate an exodus, though there appears to be little it can do to halt the flow.

"We will not permit another Mariel-type boatlift," Ms Myers

Continued on Page 16

AHP plans to keep Cyanamid unit

By Patrick Harverson in New York

American Home Products, the US drugs and consumer products group, said yesterday it had no plans to sell the agricultural chemicals business of American Cyanamid, the healthcare and agricultural products company which agreed this week to be bought by AHP for $9.7bn.

Mr John Stafford, AHP's chairman, said: "Our plan is to keep the agricultural chemicals business. It's growing, it's technology-based, which is consistent with our approach to the business. It's really an outstanding business, and will become part of our diversified portfolio."

Mr Stafford also said that there was significant unrealised potential in the Cyanamid unit.

"It has a chemical library of some 300,000 compounds; by using today's technology it can be screened for pharmaceutical uses – that can be an extra plus."

The comments followed speculation on Wall Street that AHP would move quickly to sell the agrochemicals unit once it had completed the integration of Cyanamid's drug business.

AHP defends delicate chemistry of acquisition, Page 19

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Russian brokers fight to fend off tax police

By Chrystia Freeland

Russian stockbrokers yesterday were engaged in a fierce battle to block a draft law which would give the tax police regulatory control over the stock market and give the government the right to discriminate against foreign investment banks.

The draft legislation, prepared by the Finance Ministry, is part of the state's broader inclination to react to the pyramid schemes spreading throughout Russia with strong-arm tactics which brokers fear "won't kill the market but could seriously jeopardise its development".

The struggle over stock market regulation is one battle in the war between free market proponents of greater economic liberalisation and those forces in the government which still back strong central control.

Russia's immature but increasingly robust stock market is straining to absorb a sharp increase in foreign and domestic investment which began earlier this year and saw trading worth Rbs1,000 billion (£310m at the market rate) in July.

Growing investor interest is a hopeful sign that Russia's massive privatisation drive is beginning to pay rich dividends but it is a development with which the fledgling stock market, currently regulated by four separate government institutions and a contradictory thicket of legislation, is ill-equipped to cope.

Brokers say the Finance Ministry's draft law, which they describe as a "hasty and ill-prepared" reaction to mounting problems most vividly exemplified by the MMM investment fund crisis, would make matters worse.

The draft law would give the tax police, the branch of the ministry which orchestrated the dramatic armed raid on the president of the MMM pyramid scheme earlier this month, a direct role in regulating the stock market. It would also open the door to explicit government discrimination against foreign investment institutions.

However, in a sign that Russia's emerging capitalists are beginning to play an effective role in shaping public policy, Moscow brokers this week have been waging a fierce but covert battle to prevent the draft legislation becoming law.

They have quietly lobbied officials from the cabinet, president's office and state privatisation agency and have written a letter to Mr Alexander Shokhin, deputy prime minister, which is scheduled to be published in a leading Russian business newspaper over the weekend.

"This is an effort by the government to turn off the taps of commerce and to control the financial markets," Mr Dmitri Vasiliev, deputy chairman of the state privatisation committee said. "It is very dangerous."

For stockbrokers, the draft law embodies their worst fears about the possible government reaction to the collapse of MMM, which became a *cause célèbre* in Russia earlier this month. When the pyramid began to crumble, brokers, who have formed self-regulatory associations throughout Russia, urged the government not react to the crisis by tightening government control.

Instead, they are lobbying the Kremlin to introduce a US-style self-regulatory system and to recognise that over-the-counter trading, already the dominant form in Russia, is increasingly becoming the norm in the west and should be accepted here as well.

Minister points way for tough action against indebted companies

Russia braced for big bankruptcies

By Chrystia Freeland in Moscow

The Russian government has begun to brace the country for a painful round of big industrial bankruptcies in the state sector.

Mr Oleg Soskovets, the deputy prime minister who chairs an emergency commission convened to deal with the mounting debt crisis, warned on television late on Wednesday night that "we must not be afraid of bankruptcies." The minister told Russians that his commission had prepared 24 draft laws to resolve the debt crisis which would be signed into law over the next few weeks.

Mr Soskovets' tough but vague statements were the strongest signal yet that Russia's fragile economic reforms may weather the debt crisis largely intact. Growing inter-enterprise debt, which Mr Soskovets said amounted to Rbs90,000 billion (£27.7bn at the market rate), is the most serious test the Russian government has yet faced.

If the Kremlin gives into the temptation to bail out indebted factories the country's tentative macro-economic stabilisation could be jeopardised, but allowing the factories to go bankrupt could cause widespread unemployment and trigger social unrest.

"The state must be very harsh with those companies which behave themselves badly in the transition to a market economy," Mr Soskovets said. He referred specifically to the troubled Zil motor manufacturer, which is hoping the government will save it from looming financial ruin. But, if Mr Soskovets prevails, there will be no state salvation for the company which was once the flagship of the Russian car industry.

"There [at Zil] is an obvious lack of understanding of marketing and an inability to deal with creditors. So we cannot simply give them soft loans," Mr Soskovets said.

He warned viewers that some further contraction of Russia's already drastically reduced industrial production was inevitable in the transition to a market economy. He also rejected the notion, increasingly popular among cash-strapped factory managers, that foreign competition was the source of their travails. "We must not be confused by some pseudo-patriotic idea about defending our markets," said. "The state cannot stem the inflow of foreign goods."

But while Mr Soskovets, like the Russian prime minister a former factory director, offered Russians a 25-minute flow of rhetoric which would warm the heart of even the most zealous market reformer, his address was short on details.

Apart from urging Russians not to fear the term "bankruptcy" he mentioned no specific measures the government would take to resolve the debt crisis.

Moreover, neither the prime minister nor the president has yet spoken out on the issue and the most concrete step the government has taken in recent days has been to issue fresh soft loans.

Yeltsin decree muddies the waters

New soft credits could set stage for political battle, writes Chrystia Freeland

For the Russian government, the country's mounting debt crisis represents a political and economic Rubicon.

If Russia's leaders take the potentially explosive decision to force factory managers into bankruptcy, there will, for this government, be no turning back from market reforms.

This week Mr Oleg Soskovets, deputy prime minister and chairman of the special government commission convened to resolve the debt crisis, warned the nation in a television address that the government may be preparing to do just that.

He said the state could not afford to bail out factories, no matter how large or important, that had through mismanagement or corruption accumulated a mountain of unpaid bills.

It is not yet clear whether Mr Soskovets' hard line will become government policy. A contradictory signal came a few days earlier from Russian President Boris Yeltsin who late last week quietly announced that he would grant Rbs3,500bn – later increased to Rbs4,200bn – worth of soft credits to the defence sector and for investment.

The decision, made with so little fanfare that it seemed almost clandestine, threatens to jeopardise the agreement Russia made with the International Monetary Fund earlier this year and trigger a new round of inflation.

"The Russian government has two options," a prominent Russian private businessman said, "either to continue with its fiscal and monetary rectitude or to again turn on the printing presses and trigger a fresh wave of inflation. Mr Yeltsin's decision is a signal that the government has chosen to turn the printing presses back on."

Harvest time in Russia. President Boris Yeltsin garnering support yesterday among workers at a combine factory while on a tour of cities along the Volga and Don rivers *Reuter*

Officials from western financial institutions, first informed of Mr Yeltsin's decree by journalists, were equally concerned. "It is very disconcerting," an official said. "They are breaking the rules of the game established with Mr [Michel] Camdessus [IMF managing director] this spring."

Russian officials insisted that the new soft loans would not push Russia over the budgetary limits agreed with the IMF. But Mr Sergei Ignatiev, a deputy minister of the economy, did predict that the new expenditures would push inflation up to 10 per cent a month by October.

However, Mr Yeltsin's move represented only the first volley in a battle which observers believe will determine the fate of Russia's fragile economic reforms. As Mr Soskovets' television address suggests advocates of initially painful market reforms, who fiercely opposed the president's decision, are still fighting to introduce a series of measures which would force factory managers to bear responsibility for the mounting debt that threatens the whole economy.

> The credits threaten to jeopardise the agreement with the IMF

The debt crisis, which officials say is at the top of the government's agenda, is the first decisive test of the Kremlin's commitment to market reforms. The stringent monetary and fiscal policies which Russia adopted at the insistence of the IMF this spring cut off the soft credits which were the traditional life-blood of Russia's inefficient industries. But factory directors have managed to soften the blow by extending credits to one another.

This practice, which at first shielded Russian industry from the pain of economic restructuring, is now bringing the nation's economy to a halt and factory directors are turning to the government for a bail-out.

Officials from western financial institutions speculate that Mr Yeltsin, who has taken care to distance himself from the government's most painful economic decisions, "is playing good cop to prime minister [Victor] Chernomyrdin's bad cop".

Mr Yeltsin's decision to extend soft credits, which the central bank – recently converted to fiscal orthodoxy – fiercely opposed, was made on the eve of the president's tour of Russia's industrial heartland. While he cruised down the Volga river the president was a captive audience for cash-squeezed factory directors, like the managers of the Avtovaz car plant who lobbied the president for tax breaks and more soft loans when he visited their factory. Because of the debt crisis, Avtovaz is four weeks behind in paying wages to its employees.

Carmakers are not the only industrialists campaigning for an end to the government's painful economic rigour. This week the fiscal squeeze hit the sector which is Russia's greatest source of solace and one area in which Moscow rightly feels it makes a world-beating product: vodka.

The Kristall factory, makers of Stolichnaya, one of the world's best vodkas, has been declared insolvent by the Federal Bankruptcy Agency. But like the carmakers, the director of Kristall is fighting back in a very public campaign to force the government to reverse its decision. He and other factory directors will be appeased by an increased flow of soft credits and an end to the state's new tough policing of fiscal mismanagement.

Indeed, if Mr Soskovets' televised speech was a signal of a new government approach rather than a rhetorical testing of the waters, the Kremlin should brace itself for a fierce and public battle with the factory directors' lobby. If Mr Soskovets' tough line – rather than Mr Yeltsin's quiet granting of soft loans – is to be the new rule in Russian economic policy, then Russia could be poised for one of the most serious political battles it has yet faced.

Kok completes Dutch cabinet

Mr Wim Kok: government to be sworn in on Monday

By Ronald van de Krol in Amsterdam

The Dutch Labour party leader, Mr Wim Kok, yesterday finished choosing his cabinet, clearing the way for Queen Beatrix to swear in the new government on Monday.

The new foreign minister will be Mr Hans van Mierlo, leader of the left-leaning D66 party, one of three parties in the new coalition.

Mr van Mierlo, who helped found the reformist D66 in 1966, served briefly as defence minister in a short-lived coalition with the Labour party and the Christian Democrats in 1981.

Mr Gerrit Zalm, the prospective finance minister, is a member of the right-wing Liberals, the third party in the coalition, and is the head of the semi-autonomous Central Planning Office. He has also been a senior civil servant at the finance and economic affairs ministries.

Mr Kok's new government, which is committed to increasing employment and changing elements of the country's generous welfare system, ends more than three months of political uncertainty since May's inconclusive general election.

The cabinet is unusual because it brings together three parties that have never governed in the same coalition before and because its two main components, Labour and the Liberals, have traditionally clashed on incomes policy.

This difference of opinion could cause tension in future. However, the coalition has already cleared one hurdle by agreeing on the broad outlines of the 1995 budget, due to be presented to parliament on September 20.

The budget talks were part of the long and detailed coalition negotiations conducted over recent weeks by Mr Kok, who was finance minister in the outgoing cabinet.

His government programme is a careful compromise between the wishes of the Labour and Liberal parties. He has managed to avoid cutting the level of unemployment and disability benefits, yet he has also committed himself to making spending cuts of Fl 18bn (£6.67bn) over the next four years in such controversial areas as health and education.

Labour, which had been the junior partner to the Christian Democrats in the outgoing centre-left government, saw a sharp drop in support in the May poll, partly because of its agreement to previous welfare changes, but it narrowly emerged as the biggest party overall.

The Christian Democrats suffered a historic defeat and now face being relegated to the opposition for the first time since universal suffrage began in the Netherlands in 1917.

It is still trying to find a replacement for Mr Elco Brinkman, who resigned on Tuesday as leader of the party in parliament. Mr Brinkman is held responsible for the party's electoral defeat, which was also caused partly by the decision of Mr Ruud Lubbers, the veteran prime minister and Christian Democrat politician, to retire from national politics.

Patients advised to consult doctor about using hormone which may affect DNA

Schering denies drug carries cancer risk

By Judy Dempsey in Berlin

Schering, the Berlin pharmaceuticals and agro-chemicals group, yesterday denied that one of its drugs contained a carcinogen, a substance that encourages the growth of cancer.

At the same time, Germany's Federal Institute for Drugs and Medical Devices said it would advise patients "not to panic" but ask their doctors whether to continue using cyproterone acetate (CPA), a hormone Schering developed 20 years ago.

In a form marketed as Diane-35, the drug is used for reducing male hormones in women, curing acne, and for contraception. With its elements combined differently, and known as Androcur-10, it is administered to hypersexually active men and is used as a treatment for prostate cancer.

Professor Günter Stock, a Schering board member, said 15m people had successfully used the drug since it went on the market in the early 1970s. Turnover last year totalled DM400m (£165m), of which DM70m came from domestic sales. The medicine, Schering's second-biggest seller, accounts for about 10 per cent of its pharmaceutical division sales.

Schering's response was designed to reassure its shareholders after shares fell from DM952 at the close of trade on Monday to DM908 yesterday following the disclosure that the institute had written to Schering on August 5 seeking a response to the findings of two separate independent studies on the effects of CPA.

The studies were carried out by the Institute for Toxicology in Munich and the Institute for Pharmacology of the University of Genoa in Italy.

Professor Helmut Greim, head of the Munich institute, who conducted the study over five years, said Schering had been aware, and it was accepted internationally, that when the oestrogen contained in CPA was used in large doses, it could promote tumours in liver cells.

Schering yesterday said it had repeatedly carried out studies in cultured (isolated) liver cells from rats and had found some cases of tumour promoters which led to the proliferation of cells; but it could not be proved that this would develop into cancerous cells.

Both Schering and Prof Greim said that, because these cases were so rare and the success rate of the CPA drug so high, its therapeutic effects outweighed these incidents.

However, Prof Greim explained that in most of the trials carried out by Schering on cultured liver cells of rats, and on the liver tolerance of its patients, "the Schering people had been concentrating on tumour promoters which cause the proliferation cells in the liver, but not on the effect CPA had on the deoxyribonucleic acid, or DNA system". DNA contains the genetic instructions in all cells.

"In our studies, we stumbled upon what effect the CPA drug would have on the DNA system and we discovered earlier this year that the drug interacted with DNA, which means that there is a danger to the reproduction of the genetic system of cells. This is much more dangerous than the proliferation of cells," said Prof Greim. He said the findings, later applied to cultured human liver cells by the University of Genoa, appeared to confirm how the CPA drug interacted with DNA.

Schering said it had until September 19 to respond to the Institute for Drugs and Medical Devices. "We have not asked them to withdraw the drug. We will have to assess Schering's findings," said Ms Julia Terzoglou of the institute.

However, Prof Greim said Schering would have to look at the women who had taken the drug over the years, particularly those who received high doses: "This could take a couple of years." Over a quarter of a million patients had been treated with high doses of CPA.

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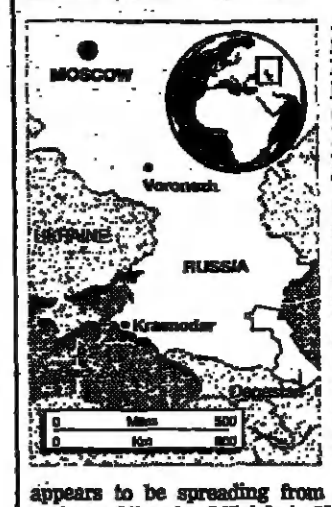
EUROPEAN NEWS DIGEST

Cholera found in Don river



A cholera epidemic reached further into the Russian heartland this week when health officials detected the disease in the waters of the Don, one of the nation's most important and beloved rivers. The outbreak has already claimed 16 lives in the southern region of Dagestan, where more than 500 people have been infected by the disease, and four in the embattled Chechen republic, where 34 cases have been registered. One person has died of cholera in Moscow and health officials both there and in St Petersburg fear that carriers of cholera may be at large in their cities. The epidemic now appears to be spreading from the Caucasus to the central regions of Russia. Officials in Voronezh have detected cholera in the Don and Bityig rivers and authorities in Krasnodar are worried that it has spread into their region as well. Four villages in Dagestan, the original source of the infection, have been placed under quarantine and some air, rail and transport routes have been closed, but officials fear that travel by car into and out of Dagestan might led to a further spread of cholera. *Chrystia Freeland, Moscow*

Spanish fishermen open fire

Spanish fishermen fired at French trawlers in the Bay of Biscay yesterday, wounding one Frenchman, in the latest clash of the Atlantic tuna war, the fishing ministry said in Paris. Mr Pierre Drege said five Spanish boats attacked four French ones about 45 nautical miles off Cap Breton in southwest France early in the morning. The wounded fisherman, Mr Gilles Tanguy, had undergone surgery and was in stable condition. "It was gratuitous aggression... the French boats were fishing with nets that were totally authorised, not the [long drift] nets that have caused problems recently," Mr Drege said. The international battle over tuna fishing practices has been raging since the start of the summer, when Spanish boats seized a French trawler and towed it back to their home port in an attempt to prove to EU inspectors that its nets violated regulations. *Reuter, Paris*

Bosnians seek Greater Serbia

In defiance of intense pressure from Belgrade and the international community, Bosnian Serb leaders yesterday called for the creation of a Greater Serbia. The speaker of the makeshift Bosnian Serb parliament in Pale, near Sarajevo, Mr Momcilo Krajisnik, said he would ask the parliaments in Serbia and Montenegro, which together comprise the remnants of Yugoslavia, to unify with self-styled Serb states in Bosnia and Croatia. Unification is unlikely to succeed but the move will put pressure on Serbia's President Slobodan Milosevic by appealing to nationalists in Serbia who have criticised his trade embargo against the Bosnian Serbs, imposed after they rejected an international partition plan. Meanwhile, the Bosnian Serb parliament has proposed a new prime minister, Mr Dusan Kozic, a technocrat who promised to clamp down on black-marketeering. *Laura Silber, Belgrade*

Slide in Swedish krona halted

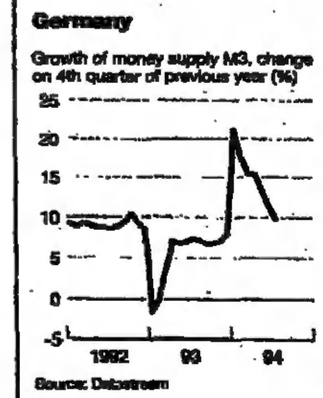
A slide this week to record low levels for the Swedish krona was halted yesterday when the opposition Social Democratic party said its manifesto for next month's general election, due out today, would contain tough measures to curb Sweden's big budget deficit. Earlier this week, a suggestion by Mr Göran Persson, the shadow finance minister, that the manifesto would not detail spending cuts pushed the krona as low as SKr5.09 against the D-Mark and drove the yield on nine-year government bonds above 12 per cent. The krona fell back to SKr5.04 against the D-Mark yesterday afternoon and nine-year bond yields slipped back below 12 per cent after Mr Persson and Mr Ingvar Carlsson, the party leader, said the manifesto would, after all, contain "exceptionally tough" fiscal proposals. The markets attach particular weight to the Social Democrats' policies because of their strong lead in opinion polls. But dealers warned of a further lurch in currency and interest rates if today's manifesto, not due to be published until the markets have closed for the weekend, were judged to be less stringent than billed. *Hugh Carnegy, Stockholm*

Arrests at Russian central bank

Ten officials from the Russian central bank were arrested by interior ministry forces earlier this week on charges that they had "allocated loans in a criminal fashion". Government officials yesterday confirmed that the arrests had taken place but would not give further details. They come at a time when financial scandals, complete with midnight police raids, are becoming the norm in Russia. Recently, police have seized sacks of cash from Siberian branches of a struggling investment fund and earlier this month they arrested the president of the controversial MMM pyramid scheme only after clambering along the outside walls of his apartment building. The allegation that central bank officials have misused loan facilities is particularly topical because the central economic issue in Russia today is whether the central bank should bail out the country's indebted enterprises. *Chrystia Freeland, Moscow*

ECONOMIC WATCH

German rates mark time



The Bundesbank yesterday decided to keep its interest rate policy on hold for at least another two weeks despite a further encouraging dip in the annualised rate of growth in M3 money supply. The provisional 9.9 per cent July rate, although still above the bank's 4-6 per cent target, was a bigger improvement than expected over June's 11.4 per cent. Release of the figures during yesterday's council meeting prompted speculation that a discount rate cut might, after all, be in the wind. In the event, the council's only action was to leave the rate for securities repurchase agreements fixed at 4.85 per cent. The M3 data yielded hardening indicators of two important trends. The shift of funds out of short-term into long-term instruments (so-called monetary capital formation) appeared to accelerate in accordance with the bank's wishes. Some DM16bn fell out of the M3 calculation compared with DM7.6bn in July last year. If this trend, encouraged by the May cut in the discount rate to 4.5 per cent, continues, M3 may approach the upper end of the target range by the year's end. At the same time, private sector borrowing gained pace, pushing the annualised growth rate over the past six months to 9.2 per cent, compared with 8.8 per cent in June. *Christopher Parkes, Frankfurt.* See Editorial Comment

■ Switzerland reported a record current account surplus for 1993 of SFr27bn (£13.4bn). It was also, at 8 per cent, by far the highest among industrialised countries in relation to gross domestic product. Swiss surpluses have averaged SFr14.6bn, just under 5 per cent of GDP, over the past decade.

■ Unemployment in Sweden rose to 8.8 per cent (395,000 people) in July from 8.5 per cent in June, the central statistics bureau said. The figure was 9.5 per cent in July last year.

Uphill fight for Taiwan grand plan

A $300bn, six-year infrastructure programme suffers from cuts, corruption and crime

Laura Tyson looks at the problems besetting a scheme to raise the islanders' quality of life

After years of delays, the Mucha line of Taipei's Mass Rapid Transit system is scheduled to start running by the end of the month. But no one is putting money on that deadline being met either.

The $16.6bn Taipei MRT was to have been the centrepiece of Taiwan's $300bn, six-year national infrastructure development plan, announced in 1990 with great fanfare. Instead it has become a symbol of the troubles of the ambitious scheme, which has been plagued by massive cuts, delays, corruption and interference from organised crime.

Lured by glossy government brochures and the promise of substantial business, international contractors flocked to Taiwan after the plan was announced. Most have been disillusioned.

"The way things are structured right now, this is a terrible market – one of the worst markets in Asia," said an American working at an international construction company. Like others interviewed he asked not to be identified.

"In this respect Taiwan is quite similar to Japan, although Japan has gotten better in recent years. It's extremely difficult for outsiders to come in. You can get jobs if you play the game, but to get jobs *and* make money – that's a completely different story."

Historically the ruling Nationalist party has been loath to invest in infrastructure, preferring instead to bank funds for an illusory reconquest of mainland China. After martial law was lifted in 1987 there was a public outcry against the "carpetbagger" regime. The development plan was in part an attempt to address demands for services and improvements in the quality of life for the highly industrialised island's 21m residents.

But the scheme was also used as a bargaining tool to wrest diplomatic concessions from western governments. The US, the UK, France and Germany risked Beijing's wrath subtly to upgrade relations with Taiwan.

Hence the plan's original eye-catching price tag, hugely inflated by the inclusion of projects already under way. In fact only a third of the 700-odd projects were new. In mid-1993 the plan was officially scaled back to some 300 projects costing more than $200bn. But two-thirds of them have fallen well behind schedule and many others are being quietly dropped.

Projects on the drawing board include a proposed 345km high-speed rail from Taipei to Kaohsiung at a cost of $16.7bn; a planned $10.8bn mass transit system for the city of Kaohsiung; 22 power projects totalling some $22bn, including the $6.7bn fourth nuclear power station, now out to tender; a range of smaller environmental projects; and telecommunications projects.

In late July the government said it planned to relax restrictions on foreign companies' participation in the domestic construction industry to comply with entry rules for the General Agreement on Tariffs and Trade. Taiwan wants to join by the end of the year. The Gatt's government procurement agreement stipulates that foreign companies must not be discriminated against in the awarding of government contracts above $5m.

Before November 1993, bidding on public construction contracts in Taiwan was open only to non-Japanese companies. This was part of an effort to counter Taiwan's growing trade deficit with Japan. But many Japanese have been able to circumnavigate these restrictions.

Citing obstacles ranging from labyrinthine bureaucracy to rigged bidding practices, industry insiders expect strong resistance to implementing the Gatt provisions.

Simply gaining access to information is the first difficulty. Five ministries are in charge of developing and administering their own individual projects, and there is little co-ordination.

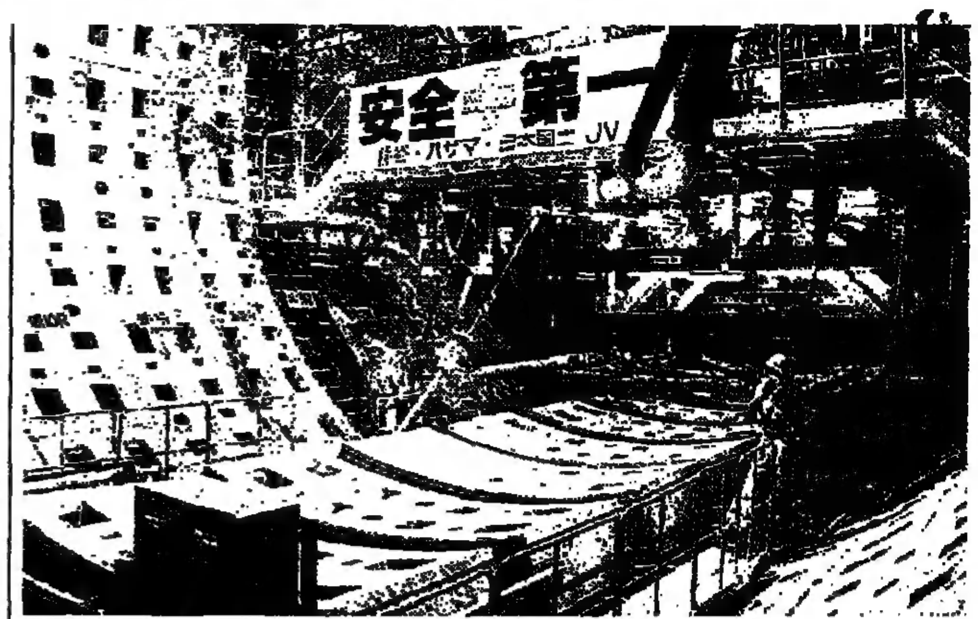
Infrastructure projects tend to be dominated by state-run contractors, especially the Bureau of Engineering Services and the Retired Servicemen's Engineering Agency. Politicians are often shareholders in Taiwanese contracting companies and have access to privileged information on tenders, such as secret price ceilings. Politicians are also alleged to exert influence on the bidding process. . Foreign companies complain of archaic regulations out of line with international practices, complex bidding criteria and tendering conditions, difficulties in procuring imported labour, elaborate licensing systems and problems enforcing contractual agreements.

Price ceilings are often set at unrealistically low levels, so foreign companies may not bid directly. Instead they subcontract parts of the project from the local company that wins the bid. This is however fraught with hazards as the foreign company is used as a handy scapegoat if something goes wrong.

The ubiquitous problem of underworld influence in the construction industry has been made worse by the large sums of money involved in the six-year plan.

"The gangsters are realising this is good business," said a Taiwanese working for a foreign engineering company.

Part of the problem is that the government gives out exceptionally high advance payments – often 25 per cent – for contracts. Companies associated with organised crime win the contract, take the advance payment offshore and invest it. The actual work is then subcontracted out. This often results in shoddy workmanship.



Digging starts at Tokyo Bay

A gigantic digging machine (above) yesterday began work on the tunnel section of the Y1,440bn ($14.4bn) Trans-Tokyo Bay Highway, which will include the widest undersea tunnels in the world, Reuter reports from Tokyo.

The 15.1km toll highway, including two 9.4km undersea tunnels, a 4.4km bridge over the water and two man-made islands, will run across the centre of the bay, connecting Kawasaki City on the west coast and Kisarazu City to the east and reducing the trip between the two from 110km to 30km.

The large cities of Tokyo, Yokohama and Chiba are also on the bay, as well as the industrial districts of Keihin and Keiyo.

The cylindrical tunneling machines, at 14.14 metres each, are the same width as the tunnels they dig, with cutters mounted on their forward surfaces. The Channel Tunnel has a width of 8.6 metres.

A TTB official said the work would be difficult because the bottom of the bay is very soft. In addition, the tunnels will be built 60 metres below sea level where water pressure would be strong.

The Trans-Tokyo Bay Highway is scheduled to begin operating by March 31, 1997. The construction of the man-made islands and the bridge started in 1989 and about half of the total construction work had been finished at the end of July.

Traffic on the highway is expected to be about 33,000 vehicles a day initially, increasing to 64,000 eventually.

Sharp boost in Indian foreign investment

By Shiraz Sidhva in New Delhi

Direct foreign investment in India has risen rapidly, with the government approving more than 2,100 foreign investment proposals, worth Rs156.2bn ($4.98bn) between August 1991 and June 1994, the Ministry of Industry said yesterday.

Inflows in the first half of 1994 reached Rs11.3bn, compared with Rs17.86bn for the whole of 1993 and Rs6.75bn in 1992.

The 1994 investments included Rs9.32bn under schemes put forward to attract investment from non-resident Indians.

In all, foreign direct investment in the four years to June 1994 stood at Rs39.43bn, the ministry reported, compared with Rs3.51bn in 1991, the year India began its liberalisation programme.

Some 80 per cent of investment approvals have been in high-priority industrial sectors. They include power and fuels at Rs47.33bn; the metallurgical industry at Rs15.03bn; services at Rs17.51bn; food processing at Rs14.14bn; electrical equipment at Rs12.25bn; chemicals, excluding fertilisers, at Rs10.95bn; tourism and hotels at Rs7.28bn; transportation, including the car industry at Rs5.39bn; and telecommunications at Rs1.89bn.

"This should allay fears among the critics of the liberalisation programme that foreign investment is only pouring into the consumer durables and luxury goods sectors," a representative of the ministry said in New Delhi.

The US continues to be the leading foreign investor in India, accounting for Rs58.54bn of the total approved figures in the four years to June 1994.

Other leading investor nations include Switzerland at Rs11.71bn; Japan at Rs9.88bn; the UK at Rs9.45bn; Germany at Rs6.21bn; the Netherlands at Rs5.46bn; and Oman at Rs5.44bn.

Approvals to non-resident Indians reached a total of Rs16.58bn.

● Mr G. Venkataswamy, Indian textile minister, yesterday said US textile producers had whipped up a propaganda campaign against imported Indian rayon skirts because they were becoming a hot fashion item.

The US Consumer Products Safety Commission said last week that the rayon-blended skirts could go up in flames in as little as four seconds and asked importers to recall a quarter of a million of them from the market.

ABB wins contract for Java

By Andrew Baxter

A consortium led by Asea Brown Boveri, Europe's largest electrical engineering group, has won a $733m order to build a 1,090MW power station at Muara Tawar, in West Java.

The order was placed by Perusahaan Unum Listrik Negara (PLN), the Indonesian state electricity authority.

It will be shared by ABB and its consortium partner, Marubeni of Japan. ABB's part is valued at about $400m.

The deal will be supported by a financing package based on the participation of several export credit agencies, as well as a significant countertrade contract arranged by ABB Project & Trade Finance.

Marubeni is subcontracting the civil works to UK-owned Balfour Beatty Sakti Indonesia, part of BICC Group, and Japanese-owned PP Taisei Construction Indonesia. They have received a letter of intent for the $158m contract, which will be shared equally.

The new combined-cycle power station will be gas and oil-fired.

It is due for completion at the beginning of 1997. ABB said its very short project completion times had helped it win the order, with the first of six turbo-sets expected to be running within 17 months.

Gas plan deadline extended

By Angus Foster in São Paulo

Presidents Itamar Franco of Brazil and Gonzala Sánchez de Lozada of Bolivia yesterday extended by 12 months the deadline for agreement on a proposed gas pipeline between the two countries.

The extension gives more time for final feasibility studies and to raise finance for the project, which was originally due to be ready to go ahead by this week.

Brazil still plans to buy 8m cubic metres of Bolivian natural gas per day, rising to 16m cubic metres in 7 years, but admitted for the first time the possibility of buying more gas, as requested by Bolivia. The price of 90 cents per British Thermal Unit was confirmed.

Final shareholdings in the pipeline were also agreed. The Brazilian part of the project will be controlled by Petrobrás, the state-owned oil and gas company, with a 51 per cent holding. BTB, a joint venture between BHP, Tenneco and British Gas, will hold 25 per cent and private Brazilian companies 4 per cent.

Yacimentos Petroliferos Fiscales Bolivianos (YPFB), the Bolivian oil and gas company, will hold 20 per cent, a bigger shareholding than Brazil had initially offered.

On the Bolivian side, YPFB will hold 85 per cent and Petrobras and BTB 15 per cent.

Nigerian oil unions defy Abacha over strikes

By Our Foreign Staff

Nigeria's oil unions yesterday said they would press on with the six-week strike which has cut vital oil exports by a fifth, despite the military government's seizure of their headquarters and dismissal of executives. But industry sources said tankers were still loading on schedule at Nigeria's largest terminals and that there had been no immediate signs of an increase in strike action despite the crackdown.

Police cordoned off the headquarters of the two main oil unions, Nupeng and Pengassan, as well as the Nigeria Labour Congress in an attempt to break the strike and end the stalemate in a political crisis which has halted normal business and polarised the Moslem north and Christian south. The unions are demanding the release of Chief Moshood Abiola, the presumed winner of last year's annulled presidential election, who is in detention facing treason charges.

For the first time, protest spread from Mr Abiola's stronghold in the south-west to Kaduna, the political centre of northern Nigeria. Hundreds of people marched through the city in protest against the dismissal of the union leaders, residents said.

Yesterday's moves followed a nationally televised broadcast on Wednesday evening by Gen Sani Abacha, Nigeria's military leader, in which he said his government was dissolving the executives of the three organisations, and would appoint administrators to run their affairs. Gen Abacha said that he would not hand over power to Mr Abiola, adding the government would not intervene to stop the opposition leader's treason trial, which has caused sporadic rioting.

In Lagos Mr Wariebi Agamene, sacked president of the blue-collar union Nupeng, said: "We are going underground to continue with the strike... The strike has not been called off." His counterpart in the white-collar union Pengassan, Mr Bola Owodunni, said: "We are still forging ahead with our strike and we are going to contest Abacha's action in court.

"Our association will not be run by an administrator because the administrator will have no one to work with at our secretariat."

Unlike Nupeng, he said, his union's dissolved executive would not go underground. "Our association still exists. There is no need going underground."

Oil industry officials said it was unclear whether Gen Abacha's move would hinder operations further. Crude oil production had stabilised after falling by 20 per cent from normal levels of 1.9m barrels per day because of the strike.

Exports have not been cut by an appreciable amount as oil that had been destined for domestic refineries, now closed by the strike, had been diverted to outside markets.

Obdurate rulers at point of no return

Paul Adams on missed chances in Nigeria

On Wednesday General Sani Abacha's regime passed the point of no return. The presumed winner of last year's presidential election, Mr Moshood Abiola, is in jail for claiming the presidency and a strike by oil workers is crippling the economy. And all the time the political split widens between Mr Abiola's Yoruba tribe in the south-west, who run the economy, and the Hausas and Fulanis in the north, who control the government.

A nation worn down by political instability was looking for a way out of the deadlock this week and Gen Abacha's televised speech was seen as a chance to compromise. Instead the government closed the door on dialogue, hardened its stance against opponents and imposed strict controls on the striking trade unions.

"The speech reminded me of that joke: 'Let's have peace. You give in to me'," said a newspaper publisher.

The two key points of the address were the government's decision to run the unions directly and the claim that it would not interfere with Mr Abiola's court case. The judiciary has been discredited by the trial and Mr Abiola's detention looks likely to be long.

The government has not banned the oil unions or the Nigeria Labour Congress (NLC) but their leadership structure, which will be replaced by administrators reporting to the labour minister, Mr Samuel Ogbemudia. The NLC is a state-sponsored umbrella group for more than 40 trade unions, and is seen as a willing tool of military government.

Three times in the past month it has delayed or postponed a general strike in protest at Mr Abiola's arrest, on the assurance of its leader that the government would compromise. Three times it has been proved wrong.

The two oil unions, Nupeng and Pengassan, will be tougher nuts to crack. Mr Frank Kokori, head of Nupeng, has warned that, if proscribed, the union would go underground and that there would be violent reactions.

The risk to the oil companies which operate the 2m b/d capacity oil fields in the Niger delta is increased by the hardening of positions. Industry officials say that production is already down by a third with most of the loss coming from the main producer, Anglo-Dutch Shell. The operators are minority partners with the government and are not officially revealing production figures, but they have shut down wells which are exposed to attacks on staff or equipment.

Shell has refused the government's offer of army protection to keep pumping, and it is unlikely that union members will accept the offer made on Wednesday of government protection if they return at once to work. Nigeria is already acutely indebted and cannot afford to lose nearly a third of its total export earnings.

The ban on the union leaders is an attempt by the government to break what it sees as the south-west's stranglehold on the economy.

The crisis has hardened the view in the south that the government is run by a narrow clique of conservatives in the north, principally the traditional rulers. The Yorubas believe that the most powerful of these, including the Sultan of Sokoto who is the head of Islam in Nigeria, are manipulating Gen Abacha.

However, some influential northerners are also speaking out against the government. Other more discreet moderates in the north do not want to see the nation split but fear that Gen Abacha's intransigence may make it inevitable.

In Lagos, industrialists who were previously non-political now talk openly about the south-west going its own way and say the present unitary state, disguised as a federal structure, is holding back the economic development of the south. They are forming a powerful alliance with the oil workers who are mainly from the minority tribes in the Niger delta.

Northerners regard the third big Nigerian tribe, the Ibos in the east, as allies. "To us it is not as simple as northern domination," says a veteran of the Biafran war, in which the Ibos tried to secede from Nigeria but were defeated by the north with backing from the south-west. "Time is running out and I think we are in for a lot more trouble. People in the east were looking for some concessions from Wednesday's speech but it gave nothing."

The order to unions to return to work may lead to harsher measures and test whether the army is a united force or divided on ethnic lines like other sections of society. Such a split is the most dangerous prospect.

A pile of rubbish smoulders on the roadside in Lagos after a labour strike brought essential services to a halt AP

Japanese money supply picks up

By Gordon Cramb in Tokyo

Money supply grew in Japan last month at an increased pace, after slowing since April when government spending was stalled by a parliamentary dispute over passage of the budget.

The Bank of Japan said yesterday that M2 plus certificates of deposit grew a preliminary 1.9 per cent in July against the same month last year, and confirmed its earlier estimate of a 1.5 per cent increase for June.

The central bank expects the July figure will not be far exceeded in the current quarter – the strongest growth this year was April's 2.2 per cent spurt. Last month's rise stemmed partly from tax rebates on salaries.

The rebates, part of a package to stimulate the economy unveiled in the spring by the then government, accompanied summer bonus payments to employees. Their affect had yet to show through fully in household spending data for June, released yesterday by the Management and Co-ordination Agency.

These showed an inflation-adjusted decline of 0.9 per cent from a year earlier, although moderated from a 1.7 per cent drop in May.

The agency said July figures might show an upturn, as many families received proceeds from the tax cuts late in June. The summer heatwave, which is increasing sales of drinks and air conditioners, is also expected to help.

Demand for electricity in July jumped 13.4 per cent from a year earlier, according to the Federation of Electric Power Companies yesterday. Household power demand rose 20.2 per cent, while big industrial users drew just 5.6 per cent more.

But key Japanese industries, which have struggled through the longest recession since the second world war, are making preparations for a revival, according to a survey released this week by Nippon Credit Bank, a big lender to manufacturers.

Automotive and electronics producers, two engines of economic growth, plan to increase capital spending this year after three years of decline, the NCB findings indicate. Car makers were stepping up outlays on plant and equipment by 1 per cent in the current fiscal year to March, and the electronics sector by 11.9 per cent.

The increases will not be uniform. A Sony executive said yesterday, for example, that his company would do no more than maintain last year's level of spending.

Across the Japanese private sector as a whole, capital expenditure planned for the year was still down by 1.1 per cent from the previous year. But the cut would be more modest than the 8.1 per cent reduction recorded in 1993, and the bank said the period of reduced spending commitments was nearing an end.

The legacy of the country's burst asset "bubble" of the late 1980s lived on yesterday in land values set annually by the National Tax Administration Agency. According to its calculations, land in Tokyo is worth at least a fifth less than a year ago.

NEWS IN BRIEF

Mandela vague on policy detail

South African President Nelson Mandela yesterday promised co-ordinated programmes to transform society following the apartheid era, but said little to address the concerns of blacks impatient for more rapid change, Patti Waldmeir reports from Cape Town. Mr Mandela's speech to parliament in Cape Town, which was broadcast live nationwide, marked the 100th day of the multi-party government of national unity. It was billed as an attempt to reassure his mass constituency that he would not put the demands of potential investors and nervous whites above the needs of those disadvantaged by apartheid.

"Millions have suffered deprivation for decades and they have the right to seek redress. They fought and voted for change; and change the people of South Africa must have," he told members of parliament, who gave him a standing ovation when he entered the chamber.

While judging the government's first 100 days a success, he stressed that "at the end of the day, the yardstick that we shall all be judged by is...are we, through our endeavours, creating the basis to better the lives of all South Africans?" But the speech gave little detail of proposed socio-economic development projects, and included almost no new initiatives to promote that goal. It was couched in language which would not be readily accessible to a township audience, focusing more on the process of managing change than on the kind of eye-catching programmes demanded by an impatient electorate.

He made only a passing reference to the country's desperate need for millions of new homes. Housing is the most politically explosive issue facing the new government, and is a significant focus of the Reconstruction and Development Programme, the government's umbrella plan for socio-economic development. A white paper on the programme is expected to go to the cabinet soon.

Nasreen vows to keep up fight

Ms Taslima Nasreen, the Bangladeshi writer who fled to Sweden last week to escape extremist Moslem death threats, emerged from hiding yesterday to proclaim she would keep up her fight against "fundamentalist insanity" in Bangladesh and around the world, Hugh Carnegy reports from Stockholm.

Rejecting criticism that her aggressive attacks on the suppression of Moslem women had provoked fundamentalists in a country where they previously had little influence, Ms Nasreen said Bangladesh was becoming less secular, while fundamentalism was "on the rise".

"Everyone must speak out clearly and explicitly against fundamentalism wherever it is in the world. One must speak out against the powers of darkness," she told a press conference in Stockholm. She said women in Bangladesh were "the slaves of men". Ms Nasreen, 32, who fled to Sweden while on bail facing charges in Dhaka of promoting religious unrest, said she intended to return home "when things are cooler", but gave no indication when that might be. In the meantime she intends to visit other western countries, including Norway and France. Moslem fundamentalists in Bangladesh have demanded she be hanged for her outspoken comments and writings.

Tutsis to take over safe zone

Rwanda's victorious Tutsi-dominated Rwanda Patriotic Front (RPF) guerrilla army will move into the French-protected "safe zone" as soon as Paris withdraws its troops next week, Prime Minister Faustin Twagiramungu said yesterday, Reuter reports from Kigali.

"We want to occupy all Rwanda," he said. "Indeed, for the credibility of the government we have to occupy all Rwanda. But we will not attack the zone."

Mr Twagiramungu told reporters his government, which came to power last month, would co-operate with UN African forces taking over from the French forces. His remarks are likely to instil fear in hundreds of thousands of Hutu refugees staying in the zone set up by France last month to protect Rwandans from being attacked by the former government army and militia, and to stop the rebel advance.

They are also certain to upset the UN, which had hoped the zone would remain demilitarised after the world body took over the area following the French withdrawal, scheduled to be completed by Sunday.

Thousands of Hutus are already leaving the safe zone and heading into neighbouring Zaire ahead of the French withdrawal, fearing reprisals from the RPF.

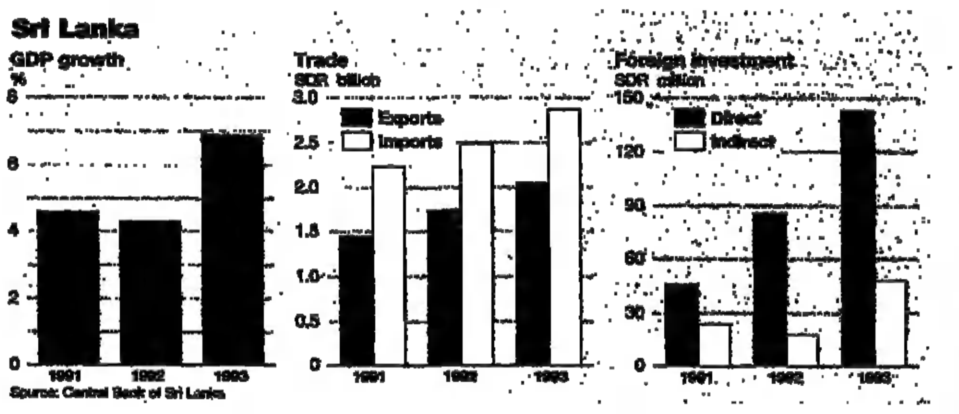
Sri Lanka enters an uncertain era

By Stefan Wagstyl in Colombo

Mrs Chandrika Kumaratunga, the victor in this week's Sri Lankan general election, who is due to be sworn in as prime minister today, will need all the luck she can get if she is to turn her complex coalition of opposition parties into an effective government.

Until she can exert a firm grip on power, Sri Lanka faces a period of political uncertainty which could easily spill over into society and the economy. "We are in a tricky situation. People are going to wait and see before they make up their minds about the government," says Mr Desmond Fernando, a lawyer and secretary general of the International Bar Association.

Fortunately, Sri Lanka is a country which has learnt to live with political turmoil. Neither the civil war in the north of the island, an uprising of nationalist extremists in the south in the late 1980s, nor the assassination last year of President Ranasinghe Premadasa has caused significant social disturbances or thrown the economy seriously off course. It is possible the country will survive unscathed the end of 17 years of conservative rule by the United National party.



Mrs Kumaratunga's most immediate challenge is to hold together her parliamentary majority. With only 105 seats in the 225-member parliament, her People's Alliance, itself a coalition of nine parties, must rely on the support of at least three minority groupings. Moreover, she will have to co-operate with Mr D B Wijetunga, the powerful executive president, who stands above parliament and belongs to the defeated UNP.

Mr Wijetunga's rapid acknowledgement of UNP's defeat suggests he is taking a conciliatory approach. But he may come under pressure from some sections of his party to change tack.

Such pressure may surface soon, as among the main aims of the People's Alliance is a revision of the constitution to curb the president's powers. This change would require a two-thirds majority in parliament – which could only be achieved with UNP's co-operation. UNP will also be concerned about the People's Alliance's pledge to stamp out corruption. While some UNP members, including outgoing prime minister Ranil Wickremasinghe, concede the need for tougher anti-bribery laws, they may balk at moves to bring ex-ministers to account.

Economic policy-making presents Mrs Kumaratunga with a particularly awkward challenge.

She has promised to follow the UNP government's pro-market policies, which have in the past five years brought the country fast growth in output, foreign trade and investment.

But businessmen see three dangers. First, to satisfy her left-wing supporters Mrs Kumaratunga may be tempted to make some gestures – such as imposing punitive duties on the import of luxuries. Next, even though the overall direction of policy will be pro-market, day-to-day decisions may not. For example, the government is considering the future of the over-manned state-owned tea industry. UNP, which introduced limited privatisation of the estates' management, was planning more radical reform and Mrs Kumaratunga may be tempted to fudge the issue.

Finally, Mrs Kumaratunga could try to increase welfare spending. Her manifesto includes promises of big food hand-outs to the poor. However, she may not be as profligate as she sounds, as such pledges are routine in Sri Lankan campaigning.

On balance, businessmen are willing to give Mrs Kumaratunga the benefit of the doubt although they may postpone big investment decisions for a few months. Some executives even argue the People's Alliance will prove good for business. They say that the corruption associated with the UNP was beginning to harm investment activity.

Moreover, they welcome Mrs Kumaratunga's determination to end the civil war, in which Tamil Tiger separatist guerrillas are fighting for an independent homeland.

Hidden agenda seen behind Carlos arrest

Diplomats are sure Sudan and France struck a deal, write **Roger Matthews** and **John Ridding**

The Sudanese government would not have handed Carlos over to the French "without wanting, and being promised, something fairly substantial in return". That view, expressed yesterday by a senior Arab diplomat, has in the past few days emerged as the most prevalent reaction of government officials and media throughout the Middle East to the arraignment of Illich Ramirez Sanchez, better known as Carlos, before a French investigating magistrate to face charges of terrorism.

Paris and Khartoum have hotly denied the allegation. Mr Charles Pasqua, the French interior minister, insisted there were no trade-offs.

"It's a tissue of lies. It's disinformation, scandalous", he said earlier this week. The Sudanese government stressed that the decision to extradite Carlos to France was merely "confirmation of its long stance against terrorism and a reflection of its readiness to co-operate constructively with the international community".

Few western and Arab governments would recognise the Sudanese self-assessment. In August last year the US added Sudan to the list of governments which it accuses of sponsoring international terrorism, linking it with Iran, Syria and Libya.

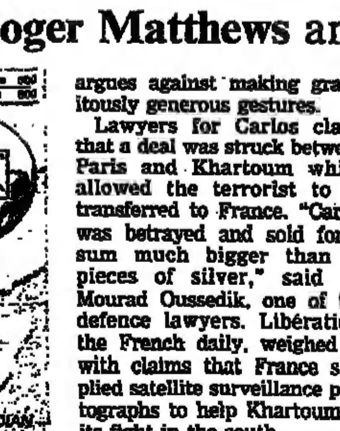
According to the US "the cumulative weight of evidence establishes that Sudan is providing repeated support for international terrorism". The support is said to come more from the provision of training facilities and a safe haven, than from the active sponsorship of individual terrorist acts abroad.

Diplomats have pointed to the regular presence in Sudan of representatives of Iran's revolutionary guards, and members of radical Islamic factions, such as the Lebanese Hizbollah and the Palestinian Hamas movement.

Sudan's drift into closer association with the most radical Middle Eastern states has been accompanied by further economic decline, made worse by the continuing civil war in the south. The seizure of power by radical Islamic officers in 1989 under Lt General Omar Hassan al-Bashir, now head of state, and backed by Mr Hassan Turabi's National Islamic Front, accelerated the trend. The subsequent purges and attempts to eliminate all domestic opposition have provoked condemnation by human rights organisations and contributed to Sudan's international isolation. Support for Iraq's President Saddam Hussein during the Gulf war took the process a step further.

The impact on an already strained economy has been calamitous. International aid, beyond that from its radical allies, has almost dried up. Gross national product is certain to contract again this year; exports, which have more than halved in value since 1989, are expected to fall further, and inflation to accelerate beyond the current estimated annual rate of at least 250 per cent. There have been reports of violent anti-government demonstrations from several towns this year and diplomats expect there to to be more evidence of popular discontent as the economic crisis deepens.

Meanwhile, there is no sign of an end to the 11-year war in the south, despite the ceasefire between the regime and the two factions of the Sudan People's Liberation Army. The fighting, which none of the



parties appears able to win militarily, has caused intense suffering among the 4m people of the south who are mainly animist and Christian. With aid efforts regularly frustrated by the warring factions, the potential for a wider human disaster in the south continues to preoccupy international agencies working in the region.

Against such a background it would be surprising if the Sudanese regime did not seek to capitalise internationally by delivering a terrorist whom, for whatever reason, it no longer wanted as a guest. Sudan's economic and political plight argues against making gratuitously generous gestures.

Lawyers for Carlos claim that a deal was struck between Paris and Khartoum which allowed the terrorist to be transferred to France. "Carlos was betrayed and sold for a sum much bigger than 30 pieces of silver," said Mr Mourad Oussedik, one of the defence lawyers. Libération, the French daily, weighed in with claims that France supplied satellite surveillance photographs to help Khartoum in its fight in the south.

The French government has denied the allegations and the Foreign Ministry described its relations with Sudan as "marked by prudence", adding Paris had criticised the human rights record of the Khartoum regime and urged a settlement to the civil war. A spokesman said France had suspended all bilateral aid to Sudan in 1990, with the exception of food and medical supplies.

Western diplomats in Paris, however, believe that France has been cultivating ties with the Sudanese government for several months. They said that in addition to its interest in capturing Carlos, the government was seeking to develop relations with a regime which could prove influential in the worsening Algerian crisis.

"It may be a typical case of a French dual-track policy, outwardly taking a tough stance against Islamic fundamentalism and a state suspected of supporting terrorism, while building contacts," said one diplomat.

According to this argument, France may be seeking to use Sudan's leaders to mediate with the Islamic Salvation Front (FIS) which has been locked into an increasingly violent struggle with the government in Algeria since being denied certain victory in the 1992 general election. The French government has begun cracking down on suspected Moslem militants and FIS representatives in France since five of its citizens were killed in Algiers earlier this month.

In the months ahead the policies and actions of the governments in Paris and Khartoum are certain to be scrutinised with more than usual attention by an international community which has grown sceptical about accepting deals involving terrorists at face value.

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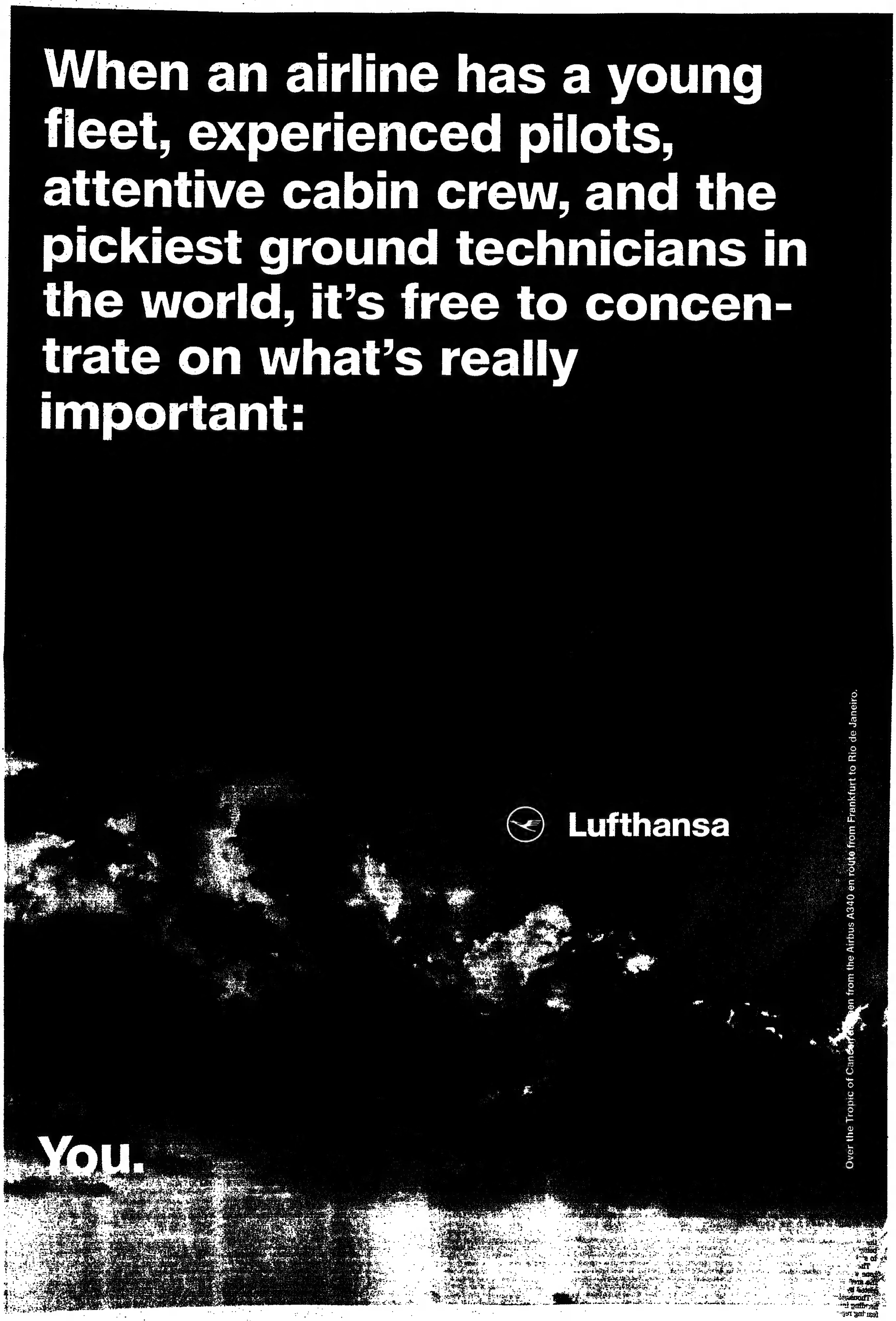


Wary peasants likely to go with the strength of the PRI

By Ted Bardacke in Oxtotitlán

MEXICAN ELECTIONS

Mexican farmers have yet to benefit from their country's much-touted economic transformation. The strict monetary policy, foreign competition and elimination of government programmes that have brought macro-economic stability have also produced an 18.5 per cent decline in agricultural production over 10 years and, one might think, fertile ground for the opposition in Sunday's presidential election.

Yet voters in the countryside, those hit hardest by the cuts in government spending engineered by the ruling party's presidential candidate, Mr Ernesto Zedillo, when he was budget minister, are overwhelmingly going to turn out for him on Sunday, according to the few public opinion surveys that differentiate between urban and rural voters.

With about a third of Mexico's voters located in rural areas, peasants are an important voting bloc for any party.

And with the leftist opposition candidate, Mr Cuauhtémoc Cárdenas, betting on the rural vote to give him a fighting chance to dethrone the ruling party, officials of Mr Zedillo's Institutional Revolutionary party (PRI) say maintaining their core of peasant support is of prime importance.

In the past, the PRI was able to rely on fraud and intimidation by *caciques* – rural strongmen who run the local PRI machines – to bring in the rural vote.

In the 1988 presidential election, Mr Carlos Salinas de Gortari's margin of victory largely stemmed from rural polling stations that reported 100 per cent turnouts for the PRI.

With electoral reforms in place and independent observers watching over polling stations, outright fraud is expected to be more difficult this year.

Instead, the PRI is relying on government spending and the lack of true voting secrecy in small rural polling stations to sway the vote.

The electoral authorities have decided to install 96,000 voting stations throughout the country, ignoring a demand by the opposition to reduce that number to 20,000 in order to heighten vote secrecy.

The government has begun a new agricultural subsidy programme, called Procampo, which involves direct cash handouts of over $100 per hectare of farm land.

Government cheques, which are often channeled through local peasant organisations affiliated to the PRI, were distributed up until a week before election day.

Peasants are often required to submit copies of their voter identification cards in order to receive payment.

"You have to be on the side of the people who have the money, that's why everyone here votes for the PRI," said one *cacique* in a village in the state of Mexico.

"The situation is difficult, there is no money. But the government, not the opposition, is the only one who can give, so you have to support it."

Voting in rural areas is still not secret, he says.

"There are two voting stations around here, each with fewer than 500 voters, and we all know who sympathises with which party," he said.

"Simple maths after the election will tell me which families didn't vote as they promised to."

In addition to Procampo, subsidies for purchases of tractors, fertiliser and fuel have also been announced by the government. High-profile ceremonies promoting such initiatives have been the norm, although official publicity about the programmes ended this month, so as not to taint the election.

Opposition parties have attacked what they see as the influence that these programmes have on rural voters.

Cutting off publicity about them "is a recognition that they do indeed have an influence over voters and by that time the damage will already have been done," Mr Diego Fernández de Cevallos, the leading opposition candidate, said recently.

The government and the PRI say that Procampo is not a transitory election-year scheme, but is planned to last 15 years.

But with both Mr Diego Fernández de Cevallos, the candidate of the centre-right National Action party, and Mr Cárdenas promising to reform the whole system of agricultural subsidies, peasants are getting the message that the only way to continue receiving handouts is to vote for the PRI.

Sticky problem for hard pressed Cárdenas

By Stephen Fidler in Tapachula

PRESSED: Cuauhtémoc Cárdenas, who, barring surprises, looks to be heading for his second defeat as a presidential candidate AP

A cartoon this week in the Mexico City newspaper Reforma depicts the three main candidates in Sunday's presidential election thinking of a date. Mr Ernesto Zedillo of the ruling Institutional Revolutionary Party and Mr Diego Fernández de Cevallos of the centre-right National Action Party are, as you might expect, both entirely focused on election day. But the date that occupies the bubble over the head of Mr Cuauhtémoc Cárdenas, the leading candidate of the left, is August 22, one day later.

Then Mr Cárdenas, the presidential contender of the Party of Democratic Revolution (PRD), must decide on how to react to the election result, and whether to bring his supporters out onto the streets to protest fraud.

With his aides declaring that the ruling party's grip on the electoral machinery means that neither Mexican nor foreign observers will be able to provide any guarantee against widespread or systematic fraud, Mr Cárdenas closed his campaign late on Wednesday by invoking the armed forces as guarantors of a fair election.

Speaking to thousands of supporters at his closing campaign rally in the coastal town of Tapachula, a few miles from the Guatemalan boarder, he said: "I trust that the armed forces will be attentive and vigilant to ensure that the law will not be violated... [and] to ensure that constitutional order will prevail. I'm sure that members of the army, the navy and the air force willknow how to fulfil their responsibilities."

Mr Cárdenas also called for supporters to rally at midday on Monday in town squares across the country to celebrate "the triumph of democracy."

He coupled these statements – apparent warnings to the ruling party of the risks involved in election fraud and a suggestion that the period following the election may be tense – with a call to initiate an immediate broad political dialogue "to guarantee peace in Chiapas and in the country."

Closing the campaign in Tapachula in the state of Chiapas has a double symbolism, according to PRD officials.

Chiapas, the poorest state in Mexico, was the scene of the Zapatista peasant uprising at the start of this year which stunned the Mexican political system. And Capachula was the town where Mr Cárdenas ended his unsuccesful 1988 campaign for the presidency, which he maintains he was deprived of by fraud.

It was his second and last speech in a day which underlined his unusual approach to campaigning in the age of television. The day's itinerary made it almost impossible to get television pictures rapidly back to Mexico City. Mr Aldopho Aguilar, a spokesman, said that the knowledge that electoral coverage by the national media would be biased had encouraged Mr Cárdenas to campaign as he preferred: meeting people face to face.

His timetable gave no appearance of being influenced by either the convenience of the media or by election strategy.

His first speech – made in the pouring rain in the small mountain town of Motozintia, more than five hours by air and road away from Mexico City and more than 2,000 metres above sea level – was to a few hundred people.

The region is sparsely populated and dominated historically and often violently by the PRI, which probably dented the enthusiasm for the speeches.

Mr Cárdenas stood by as his party's senate candidate in this state – the voluble film actress Ms Irma Serrano, know as the Tigress – shouted "Long Live sub-commander Marcos," in support of the leader of the Zapatistas in Chiapas, but the response was muted.

The Cárdenas campaign has been heavily outspent by the PRI.

Aides say the PRD election campaign has cost about $11m so far, with the presidential race taking around $3.8m. They claim the PRI's entire presidential and congressional campaign runs into of hundreds of millions of dollars and that government money is helping the ruling party.

Whatever the numbers, Mr Cárdenas travels in significantly less style than the PRI candidate, Mr Zedillo. While Mr Zedillo flies in a private jet, Mr Cárdenas travels on scheduled flights economy class.

Although they have been running far behind in the opinion polls PRD officials say that the actual result, were the election to be fair, would be close, with any one of the three main parties able to win. They say fear of the PRI means people lie to pollsters, making polls unreliable, but they have difficulty explaining why Mr Cárdenas is lagging far behind his opinion poll showing in the 1988 election.

In 1988, he called people out into the streets to protest at fraud and they responded in their hundreds of thousands, but he backed down before the protests degenerated into conflict with the government.

This year Mr Cárdenas's decision about whether to cry fraud will be complicated by the opinions of the many election observers and the independent electoral commission not present in 1988.

Whether he wins or loses, the eyes of many Mexicans will be on Mr Cárdenas on Monday.

Uninspiring Zedillo keeps policy pledge

PRI man fails to move the crowds, but spells out what he would do, writes Damian Fraser

Soon after Mr Ernesto Zedillo accepted the nomination as presidential candidate of Mexico's governing Institutional Revolutionary party (PRI) nearly five months ago, he pledged to set out in detail the policies he would implement.

While his campaign has disappointed many for its failure to inspire the crowds, no one denies he has kept his word in proposing policies.

Over the past few months he has given 10 set-piece speeches on the most pressing issues facing Mexico, all but one of which listed 10 points of policy.

The speeches covered poverty, foreign affairs, the environment, agriculture, health and culture, (though not, mysteriously, education). Three – on the economy, justice and security, and democracy –are likely to form the policy backbone of the new government he looks likely to run after the election on Sunday.

On economics, Mr Zedillo, a former central banker and budget minister, proposes the same pro-market policies that have characterised the presidency of Mr Carlos Salinas. But with the economy apparently stagnant when he made the speech (a recovery, as new figures indicate, was in fact under way), Mr Zedillo felt compelled to explain how he would raise economic growth.

The essence of his plan is a 25 per cent increase in public investment in his first year in office, a new state-financed fund for infrastructure projects, and a series of modest tax incentives for private investment and for new businesses. Mr Zedillo does not say whether he will finance the proposals with higher taxes, spending cuts elsewhere, or with a deficit, but he promises that economic growth will be twice as much as the 1.9 per cent increase in population.

Mr Zedillo would commit his government to more competition in the financial sector, deregulation of the economy, especially at a state and regional level, further reforms of state-owned companies to make them more efficient, and to giving more money to development banks to subsidise interest rates for small and medium-sized businesses – none of which the Salinas administration would have opposed.

On justice and security, Mr Zedillo, seeking to tackle what opinion polls indicate is one of the electorate's greatest concerns – the increasing crime rates and corruption of the justice system – goes further.

His most popular promise is to democratise the ruling party

Mr Zedillo has promised a total overhaul of the country's notoriously corrupt police force. While not clear on how he would do this, he talks about a new police academy, beefed up internal watchdogs to fight corruption, greater co-ordination between federal and state police, a special anti-kidnapping force, and a new data base on known criminals.

His programme includes an ambitious but vague promise of an "integral reform of judicial power". This includes the establishment of a judicial civil service that would promote honesty and the independence of judges and magistrates; the right to appeal against decisions of public prosecutors; and speeding up the notoriously slow legal process.

The legal and judicial reforms indirectly form part of Mr Zedillo's sweeping proposals for a more democratic Mexico. These have met with scepticism, in part because promising democratic change is a long tradition of PRI presidential aspirants that they have rarely lived up to.

In what has gained most publicity, Mr Zedillo promised that if elected president he would not interfere in the internal affairs of the PRI and would not choose its candidates for office, including his successor. He would thus be giving up the so-called *dedazo* (whereby the president points out the candidate to succeed him) that has been the distinguishing feature of Mexican politics, and one of the key factors of presidential power.

Instead, Mr Zedillo says before taking office he will propose ways for the PRI to choose its candidates democratically. If he does this, the PRI would change from being merely the electoral arm of the government in power, to something akin to a normal political party in which the rank-and-file have a greater say.

Mr Zedillo also proposes beefing up the authority of Congress so that it can better scrutinise legislation; and devolving new powers and resources to the states and municipalities. He promises that he would have good relations with all political parties, and promote the spread of civic groups pushing for democratic changes.

Mr Zedillo has been so clear in his democratic proposals that if he ignores them he risks heightening still further the cynicism about his party and the political system. If he is serious and wins on Sunday, he will have little more than three months to work on changing the PRI, before, as he has said, he leaves the party to take care of itself.

A candidate who will win by losing

By Damian Fraser in Mexico City

Mr Diego Fernández de Cevallos, presidential candidate of the centre-right National Action party, has been the surprise element in Mexico's election campaign. Written off by many at the beginning of the race, he found his victory in May's television debate of the three main candidates changed his fortunes overnight, turning him into a serious challenger for the presidency.

Even if, as the polls indicate, Mr Fernández fails to win the election, the PAN is likely to emerge from the campaign considerably stronger than when it went in. It is almost certain to increase its current tally of 79 deputies out of a total of 500, and to pick up between 24 and 30 senators in the expanded 128-member chamber. It currently holds only one out of 64.

Mr Fernández has nevertheless been strongly criticised for not capitalising further on his debate victory. After closing the gap with Mr Zedillo in some opinion polls in late May, he halted his campaign during the World Cup over late June and early July, and lost much of the support he had gained.

"Diego lost the opportunity of a lifetime" says Mr Vicente Licona, head of the Indemec/Louis Harris polling company "There is a great mystery over what really happened." While some Mexicans speculate that Mr Fernández was afraid of winning, or had even reached a deal with the PRI to lose, advisers insist the candidate was simply receiving important dignitaries, resting before the final leg of the race, and preparing for another debate (which never materialised).

Even if Mr Fernández had been more aggressive in July, it is questionable whether he could have maintained his post-debate momentum. The PAN is still a party of the urban middle class, and has little representation in rural areas or in the south. Even in the cities there is considerable fear of a change in government. Mr Licona reckons Mr Fernández began to lose much of his support when electors feared he might actually win.

Whatever the election outcome, Mr Fernández and his party are sure to play a key part in events after the poll. If they accept a PRI victory, the legitimacy of the result will be greatly enhanced in the eyes of many Mexicans – especially if, as the polls indicate, Mr Fernández relegates Mr Cuauhtémoc Cárdenas of the left-wing Party of Democratic Revolution into a poor third place.

Given Mr Fernández's past record of reaching agreements with the PRI, many reckon he will happily accept a PRI victory that is not marred by too many voting irregularities. Mr Zedillo, it is widely if not particularly authoritatively suggested, will then invite a member of the PAN to join his cabinet as a sign of gratitude.

SURPRISE: Mr Fernandez was the unexpected winner of the TV debate between the candidates AP

IBM sent back by appeals court to face retrial in anti-trust suit

By George Graham in Washington

A federal appeals court has sent IBM back for a retrial on a nine-year-old anti-trust suit, in a ruling that could affect the computer group's efforts to escape from the legal restrictions imposed on it under the Eisenhower administration.

The appeals court in Philadelphia unanimously overturned a judgment in IBM's favour in a case brought by Allen-Myland, a company specialising in overhauling and upgrading IBM mainframe computers.

Allen-Myland claimed IBM abused its dominant position in the market by manipulating the price of parts for mainframe computers, so it had in effect illegally tied customers to using its own upgrading services and excluded Allen-Myland from the market.

The upgrade market was a substantial one, sometimes as large as sales of new mainframes, and Allen-Myland at one point accounted for as much as half the upgrades.

But when IBM introduced its 308X generation of mainframes in 1980, it used a "net pricing policy" in which the cost of installation by IBM was bundled in with the price of upgrade parts, so discouraging customers from using any other installer. In addition, IBM required customers to return used parts to them, thus drying up a potential alternative source of parts.

The district court had rejected Allen-Myland's charge, on the basis that IBM's share of the market was not large enough to give it "market power". But the appeals court said there was an "analytical flaw" in the lower court's determination of the relevant market, and had double-counted some possible sources of competition.

In particular, it said the lower court was wrong to include computer leasing companies as alternative suppliers in calculating the market.

Mr Robert Levy, a lawyer with Sutherland, Asbill & Brennan who represents Allen-Myland, said the distinction was critical in the mainframe market, because leasing companies accounted in the early 1980s, in the period the case deals with, for a large share of the market.

Although the appeals court leaves to the lower court the detailed decision, it orders it to recalculate the size of the market excluding most leasing companies.

The ruling on the definition of the relevant market could have widespread ramifications for IBM's efforts to get rid of a 1956 consent decree it negotiated with the Justice Department under President Dwight Eisenhower.

In June, IBM asked a federal judge to lift the decree, which was imposed when computers still used vacuum tubes and dominance of the data-processing market was very clear. The decree requires IBM to offer its computers for outright sale – where before it had only leased them – and requires it to operate its computer service business separately from its manufacturing business.

Although IBM is clearly no longer dominant in the broadest definition of the computer market, the issue of whether it still dominates the mainframe market could depend on precise definition of the market.

Hanson quits Treasury

Ms Jean Hanson, Treasury legal counsel, resigned yesterday under pressure over her role in the Whitewater affair, Reuter reports from Washington.

Ms Hanson's resignation came a day after the resignation of Mr Roger Altman, the deputy Treasury secretary, who said he would leave as soon as a successor was confirmed. Both had been harshly criticised by the Senate banking committee for misleading the panel in February about the extent of contacts between the Treasury and White House over the Whitewater probe, involving President and Mrs Clinton's financial dealings.

In her resignation letter to Mr Lloyd Bentsen, Treasury secretary, Ms Hanson said she was rejoining a New York law firm. She made no direct mention of Whitewater.

Impartiality of Whitewater counsel thrown into doubt

By Jurek Martin in Washington

Controversy over the naming of Mr Kenneth Starr as new Whitewater special counsel in succession to Mr Robert Fiske has grown this week, with Democrats, legal experts and the media questioning both his impartiality and the circumstances of his appointment by a special judicial panel.

The New York Times went so far as to call on him to step down. The newspaper, a harsh critic of alleged ethical violations by the Clinton administration, said the appointment "looks terrible under the law and the ethical precepts the judges say they recognise".

Earlier, Senator George Mitchell, the majority leader, had also come close to suggesting withdrawal. "If the standard is the appearance of independence... then it seems to me there is a greater appearance of the absence of independence in his case than there was in Mr Fiske's case."

Criticism of the appointment of Mr Starr, the solicitor general under President George Bush who last year considered running for the US Senate as a Republican from Virginia, falls into two parts.

The first centres on the relationship between Judge David Sentelle, chief of the special judicial panel which named Mr Starr, and the two arch-conservative senators from North Carolina, Mr Jesse Helms and Mr Lauch Faircloth.

Mr Sentelle, appointed by President Ronald Reagan, is a protégé of Senator Helms. Mr Sentelle was a member of the federal appeals court which overturned the Iran-Contra conviction of Mr Oliver North, now the Republican candidate for the Virginia Senate seat.

Last month, shortly before the Starr appointment, Mr Sentelle was noticed lunching with Mr Faircloth and they were later joined by Mr Helms. All three deny discussing Whitewater but the meeting brought down criticism from legal scholars, who described it variously as "wildly imprudent" and "probably unethical".

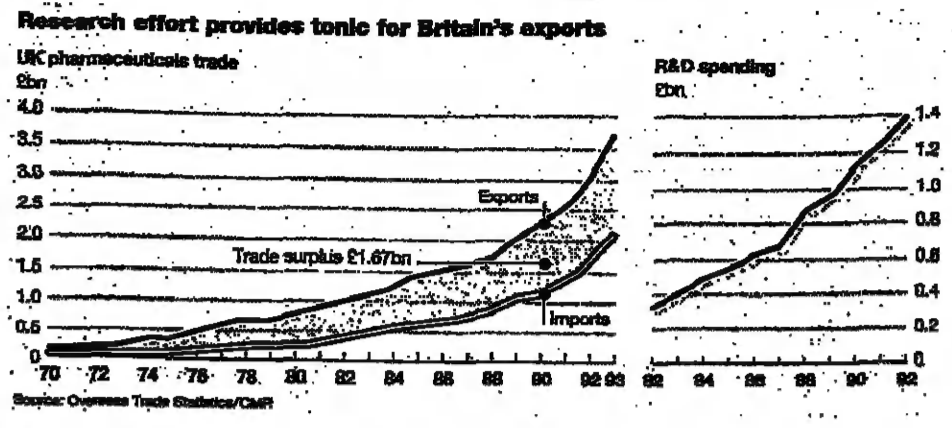
The second reservation stems from the fact that Mr Starr, at the request of a conservative women's group, considered filing a "friend of the court" brief in support of Ms Paula Jones, who has filed a civil suit seeking damages from President Clinton for alleged sexual harassment.

Even though the brief was never filed, the Times wrote that his original decision further blemished the appearance of his impartiality.

Pharmaceutical exports hit record

By Paul Abrahams

Research effort provides tonic for Britain's exports



Source: Overseas Trade Statistics/CMR

The pharmaceuticals industry in the UK increased its trade surplus from £1.329bn in 1992 to £1.672bn last year, the biggest percentage rise since 1980.

Exports were up from £2.993bn to a record £3.685bn, while imports rose from £1.663bn to £2.013bn. Nearly half of the exports were to the EU, with North America accounting for about 15 per cent. The trade surplus with Japan was more than £200m, an increase of over 50 per cent.

Dr Trevor Jones, the recently appointed director-general of the Association of the British Pharmaceutical Industry, said the industry's success was based on its research and development spending.

The trade surplus was a testament to both the energy of the industry at home and abroad. "Medicines are good for patients, good for exports and good for the economy," claimed Dr Jones. "Only through such investment can the momentum of advances in healthcare be maintained and new medicines be developed to the highest possible standards," he said.

"The pharmaceuticals industry in Great Britain continues to grow from strength to strength, serving the needs of the nation and providing important revenues to our national economy," said Dr Trevor Jones, the recently appointed director general of the Association of the British Pharmaceutical Industry.

Dr Till Medinger, association president, said: "The industry has to renew itself every 15 years. Any company without innovative drugs in the pipeline would have difficulties surviving."

The sector had increased its annual R&D spending to nearly £1.4bn, compared with less than £400m a decade ago.

However, the UK industry needed a stable environment, "neither sheltered by government and subsidy, nor shackled by unnecessary controls on the availability of medicines," said Dr Jones.

The recent across-the-board 2.5 per cent cut in the drugs prices had been particularly harsh, he said. The industry provided the nation with its medicines at a daily cost to the National Health Service of only 18p per person.

NHS pharmaceutical costs were £4.09bn last year, equivalent to 10.9 per cent of total expenditure. That compared with 10.1 per cent last year.

Dr Medinger played down the fact that UK drugs spending was the fastest growing in Europe. He said the growth was from a low base, with the UK spending less per person on prescription medicines than any other European country.

The association plans to make a big push with the Department of Trade and Industry to attract US biotechnology groups and Japanese pharmaceuticals companies.

Dr Jones said: "Those Japanese companies that have invested in Europe have tended to choose Germany. With London recently chosen as the location for the European Medicines Evaluation Agency, the UK would prove an ideal base for Japanese groups."

Lloyd's Board upbeat on prospects

By Richard Lapper

Agents at Lloyd's of London expect the insurance market's capital base to fall in 1995 but forecasts issued yesterday are more optimistic than had been expected in some quarters. The Lloyd's Market Board, which directs the market's business, said members' agents and licensed Lloyd's advisers expected to be able to provide capacity – the amount of premiums syndicates can underwrite – up to a maximum of £10.3bn in 1995.

Agents handle the affairs of individual Names, while the advisers look after corporate investors.

This year Lloyd's syndicates have some £11bn in capacity. Some agents have predicted that the amount of capacity provided by the individual Names whose assets have traditionally supported the market – around £9.3bn – would fall by as much as 30 per cent, following another year of heavy losses.

Lloyd's reported losses of some £2bn for the 1991 year of account in May, in line with its three year accounting system. Several hundred of the 17,624 Names currently trading are expected to be unable to pay their losses, forcing many to resign.

Corporate investors, which raised more than £800m for the market last year, are expected to raise more this year, partially compensating for the fall off in support from individuals. It is still likely however, that some syndicates could find themselves short of capacity. The Market Board said agents were seeking some £11.5bn in capacity. It said the market is "not experiencing significant overcapacity although premium rates have softened in an increasing number of areas."

Separately, Lloyd's said that legal claims by hundreds of its Names from North America were "unfounded". More than 400 Names allege that they are victims of systematic fraud.

Labour raps executive share schemes


Shadow chancellor Gordon Brown attacked Britain's "utility millionaires" and urged an end to "lax tax laws" Lydia van der Meer

By Kevin Brown, Political Correspondent

Britain's opposition Labour party yesterday claimed that four directors of Powergen and National Power, the privatised electricity generation companies, have made notional profits of more than £1m each from executive share option schemes.

Mr Gordon Brown, the shadow chancellor, said that figures extracted from annual reports showed that salary increases were only "the tip of the iceberg" in the creation of utility millionaires.

Mr Brown said that the beneficiaries of executive share option schemes included Mr John Baker, chief executive of National Power, with a notional profit of £1.2m; Mr Ed Wallis, chief executive of Powergen (£1.7m); Mr John Rennocks, Powergen finance director (£1m); and Dr Alf Roberts, Powergen commercial director (£1.1m).

Mr Brown also claimed that Lord Young of Graffham, chairman of Cable and Wireless, a former Tory trade and industry secretary, made a notional profit of £1.8m.

He called for "an end to the lax tax rules which mean that privatised utility bosses in electricity, water and telecom are becoming millionaires at our expense, subsidised by the British tax payer."

Mr Brown said executive share options issued to senior managers of privatised utilities were worth a total of £350m, and would raise £105m in notional profit if redeemed by the holders at current prices.

He said that executive share options were costing the taxpayer £200m a year in lost tax revenue, equal to the cost of exempting pensioners from the government's plan to increase VAT on domestic fuel from 8 per cent to 17.5 per cent.

Labour is committed to ending tax relief for such options and treating them as income, exposing holders to taxation at their full marginal rate of income tax. The discretionary options scheme for executives, which differs from the scheme for other employees, is popular because options are free of income tax, provided they are exercised between three and 10 years after they are issued.

Ford investment in Jaguar set to reach £1bn by 1997

By Kevin Done, Motor Industry Correspondent

Ford's investment in Jaguar, the UK luxury car maker, will total around £1bn in the seven years to the end of 1996, Mr Nick Scheele, the Jaguar chairman said yesterday.

Jaguar, acquired by Ford for £1.56bn at the end of 1989, is expected to return to profit next year following six years of successive losses, he said. Pretax losses from 1989 to 1993 totalled £776m.

Ford is investing heavily to renew and expand Jaguar's product range to compete against Mercedes-Benz and BMW, the German luxury car makers as well as Japanese rivals such as Lexus (Toyota) and Infiniti (Nissan).

The first result of the programme will be unveiled next month with the launch of its new XJ series of luxury saloons, developed at a cost of around £200m to replace the XJ6 range.

The XJ range is expected to lift total Jaguar production to at least 38,000 next year from 32,000 this year, 29,548 in 1993 and a low of 20,593 in 1992.

Volume production began two weeks ago and the cars will be launched in the UK and the US next month, in continental Europe in October and in Japan and Australia in November. It will be sold in 64 markets around the world.

Jaguar has invested £8.5m in a new assembly line at its Browns Lane, Coventry, plant which now has capacity to produce 50,000 to 55,000 cars on a single shift. Initially the plant will be capable of producing up to 42,500 of the new XJ series on a single shift.

A substantial part of the Jaguar investment programme is being aimed at development of a new grand tourer sports coupe and convertible to replace the XJS range in autumn 1996.

It is also developing a range of V8 engines for launch in the new sports car. The engines will be built at a facility under construction at the Ford engine plant at Bridgend, South Wales.

Jaguar is expected to launch a new smaller sports saloon to compete with cars like the BMW 5 series in 1998. This car could double Jaguar output to more than 100,000 a year by 1998/99. Mr Scheele said final approval for this project was not expected for at least 18 months. It is still unclear where this car will be built.

"There is a US manufacturing alternative and a British alternative," said Mr Scheele.

Retail sales show modest growth

Latest economic data reinforce a picture of patchy recovery, write **Gillian Tett** and **Philip Coggan**

Retail sales in the UK grew only modestly last month in spite of heavy summer discounting, according to official figures, underlining the competitive pressures operating in the retail sector.

However, the patchy recovery in consumer confidence suggested by the figures was reinforced by data on broad money supply, which yesterday pointed to mixed levels of credit demand in the economy.

The Central Statistical Office said retail sales' volumes grew by a seasonally adjusted 0.4 per cent in between June and July, and 3.8 per cent in the year to July. This was higher than the previous month, when sales volumes grew at an annual rate of 3.3 per cent. But with most of July's growth coming from food retailers, analysts said the figures painted a picture of steady, rather than sharp, growth.

In spite of the record price fall in the household goods sector in July, shown in inflation data earlier this week, the volume of household goods sold last month dropped slightly, the CSO said. Clothing and footwear sales, however, rose slightly amid similar discounting.

The Treasury yesterday welcomed the figures as an indication of "the steady upwards trend in retail sales." However, the British Retail Consortium, which represents 90 per cent of retailers, warned that small shops were facing "very difficult conditions" in spite of the growth. It called on the government to hold base rates steady at 5.25 per cent.

But with this week's figures indicating there is little basis to support fears that the recovery might create an inflationary consumer binge, analysts said speculation about an early rise in interest rates rise was fading. Mr Michael Saunders, UK economist at brokers Saloman Brothers, said: "I think that the chance of an interest rate move in September is less likely now."

This sentiment was supported by figures from the Bank of England showing that M4, the broad measure of money supply, fell to a seasonally adjusted 4.8 per cent in July, from 5.6 per cent in June, towards the bottom of the government's 3 per cent to 9 per cent monitoring range.

Between June and July, M4 grew by a seasonally adjusted 0.1 per cent.

M4 growth is one of the leading inflationary signs monitored by the Bank of England and its weakness may further tilt the argument against an imminent base rate increase.

However, sterling lending to the M4 private sector, which consists of all UK residents apart from banks, building societies and the public sector, was a seasonally adjusted £2.4m in July. That is higher than the £1.6bn average recorded during the first six months of the year, although down from £2.9bn in June.

Figures released by the British Bankers Association, which are compiled on a different basis from the Bank of England statistics, showed that UK banks had increased their lending in July to £1.4bn, from £982m in June.

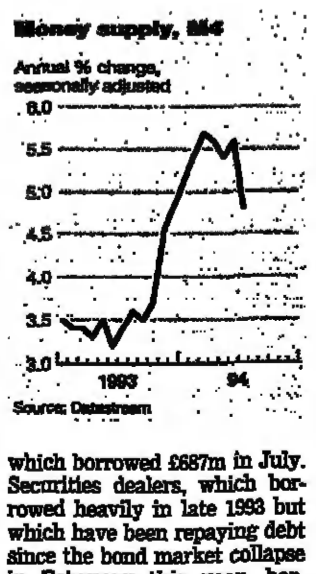
The BBA said consumer credit grew by a modest £51m in July. The increase meant, however, that consumer credit had risen for four consecutive months, for the first time since 1991.

Lending continued to be strong to the financial sector, which borrowed £687m in July. Securities dealers, which borrowed heavily in late 1993 but which have been repaying debt since the bond market collapse in February this year, borrowed £392m last month.

Non-financial companies, however, continue to be reluctant to take on debt. The manufacturing sector repaid £255m of debt in July, having borrowed £148m in June.

"Overall, lending appears to be recovering at last but the progress looks very tentative," said Mr Don Smith, UK economist at Midland Global Markets. "These figures do not yet exude the confidence they should for this stage of the economic cycle."

Money supply, M4



Source: Datastream

Britain in brief

Disabled scheme could be adapted

The European Commission conceded yesterday that Britain's priority suppliers scheme for the disabled may breach EU law, but claimed it could be adapted to conform to the rules.

Mr Raniero Vanni d'Archirafi, the single market commissioner, said the commission was still considering the legality of the scheme, which allows companies employing mainly disabled workers to match the lowest tender for government contracts.

Mr Michael Portillo, UK employment secretary, withdrew British government support from the scheme last week after receiving legal advice that it conflicted with an EU directive on public procurement which took effect in June.

In a preliminary statement, Mr Vanni said that national procurement regimes giving preference to specified tenderers could be contrary to community rules if they discriminated against bidders from other member states.

But he said that such regimes could be made "in certain conditions" to conform to procurement rules if they pursued a legitimate objective and were extended to similar bidders from other member states.

The Commission has previously said that it regards the protection of disabled workers as a legitimate objective which would weight heavily with the European Court of Justice.

However, Commission officials conceded that Mr Portillo was right to claim that the scheme left the British government open to an action in the European court by unsuccessful bidders for contracts.

The employment department said that Mr Portillo was bound to act on the advice of the UK government's legal advisers, who continued to maintain that the scheme was legal. "The bottom line is that whatever the Commission says, the legality of the scheme is a matter for the European court," the department said.

A-level exams under attack

A-level examinations in England and Wales came under strong attack from employers yesterday as it emerged that the numbers taking mathematics and physics had both dropped by more than 5 per cent for the second year running.

Although more children passed A-levels than ever before, the reaction to the results increased pressure on the government to reform the examination system and to invest in science teaching.

The Confederation of British Industry said the economy's development would suffer as a result of the drop in school scientists, while the Institute of Directors said the "flight from A-level science and maths" reflected "a deep deficiency in Britain's basic education system" and was "a competitiveness crisis waiting to happen". The numbers only taking science and mathematics A-levels had already dropped 40 per cent over the previous decade.

Getty confirms 'Graces' offer

Mr John Paul Getty, the US billionaire, yesterday confirmed his donation of £1m towards the fund to keep "The Three Graces" sculpture in Britain, the Victoria and Albert Museum said yesterday.

The announcement ends fears that Mr Getty would withdraw his offer. He had been upset at remarks made by Mr Timothy Clifford, director of the National Galleries of Scotland, implying that the offer was made because of a grudge towards his father.

Mr Clifford on Wednesday retracted his remarks and apologised unreservedly to the reclusive Mr Getty, who lives in the UK and has given millions to various causes.

The V&A said it had £6.8m towards the required total of £7.6m. The remaining £800,000 has to be raised by November 5.

A spokeswoman for Mr Getty confirmed that the offer of £1m stood, but declined to comment further.

Bids open for assault ships

Britain's Ministry of Defence yesterday issued the long-awaited invitation to industry to bid for the Royal Marines' new amphibious assault ships.

Replacement of the ageing HMS Fearless and Intrepid has been delayed since the mid-1980s under successive defence secretaries. The go-ahead was agreed in principle in the Front Line First review announced last month.

The ministry yesterday warned that only one replacement ship might be built, depending on the tender prices. The invitation calls for tenders for two new assault ships, as well as tenders for one ship with an option price for a second, it said.

"The number of ships to be ordered will be decided when tenders have been considered."

Car production rises by 3.8%

UK car production rose a seasonally adjusted 3.8 per cent in the three months to July compared with the previous three months with production allocated for export rising 6.5 per cent and home production by 1.9 per cent, the Central Statistical Office said.

Compared with the same three months a year ago total car production also rose a seasonally adjusted 3.8 per cent.

Meanwhile the CSO said sales of machine tools rose in the second quarter of 1994 but remained well below their pre-recession peak.

The CSO said the volume of machine tools sales in the three months to June was 11 per cent higher, on a seasonally adjusted basis, than in the first three months of the year. Compared with the second quarter of 1993, however, sales were just 2.8 per cent ahead, and they languish around a third below their 1990 levels.

Export sales rose 13.3 per cent quarter-on-quarter in volume terms, while home sales increased 9.6 per cent.

Jobs: Employment obstacles for older managers

Hidden motives behind ageism

Those Metroland suburbs described here three weeks ago as the focus of 1990s unemployment have been responding with some gusto to the problem of age discrimination, which has created a class of disillusioned, jobless managerial professionals.

While the responses were, in the main, positive – some even offered jobs – they were not all wholly sympathetic.

The most compelling points came from those who had experienced unemployment themselves and who were now back in work. Brian Winch of Knapton, Norfolk, proves that the problem is not confined to Metroland. Now in his 50s, he was made redundant three times before becoming managing director of a manufacturing company.

He confirms that many recruitment consultants do rule out applications from the over-50s, even the over-45s in some cases, because their clients insist on this age limitation.

Once managers have got back into employment, Winch says with undisguised glee, "those of us who have been so treated by these consultants take good care not to use them for recruitment."

His next target is personnel departments which "try to reflect what they think the senior management wants, not what the company needs, and usually are the main source of prejudice against age." If you can negotiate these hurdles, he says, "once you get access to top management, prejudice seems to disappear".

Are the personnel officers forgiven when he is back in the driving seat? Winch replies: "My remedy is simple in that my first action in a company is to declare redundant the whole of the personnel department and not replace them."

Not all his comments side with the middle-aged executive job seekers. Many of them, with backgrounds in tiered status organisations, can be a "damned nuisance" in a flat structure, constantly writing internal memos and playing company politics, says Winch. Others tend to oppose change, particularly when it involves redundancies.

He maintains that this applies to only those middle-aged managers who refuse to adapt. "Many of us just get on with it as part of life and the times we live in, and don't let it get to us," he says.

Winch, however, has not had, perhaps, an ordeal like that of Nicholas Athorne, a 43-year-old professional corporate banker with more than 16 years' experience in North America and the City. He lost his job three years ago and today he has two jobs, one as a truck driver and one as a business consultant to medium-sized companies.

Athorne, who lives in Suffolk, was dispossessed of his house, drew income support for a time and had a number of low-paid casual jobs. He has networked among fellow professionals, printed "umpteen versions" of his CV on his personal computer, collected drawers full of rejection letters and admits to feeling despondent on occasion.

Ageist policies in banks, he believes, will rebound on them when they lose business because their staff are too inexperienced. "Perhaps eventually senior management will come to realise that the marginal additional cost for experience can more often than not outweigh the excessive cost of loan provisions," he writes.

Other readers made similar points, but many were short on solutions. Brian Winch says his company employs a number of older people, some on temporary contracts, in jobs out of the mainstream. All have previously held senior positions, but have adapted to the new challenges and "recognise that their old career has gone forever."

On this theme he suggests that, just as companies have management development and promotion, so they need "management undevelopment and unpromotion (not demotion)."

There might be some merit in this idea were it not for one large obstacle – final salary pensions. One reader, Alan Smallbone, a retired insurance executive, argues that the way final-salary schemes are structured means that underlying funding rates for employers increase with the age of the employee.

Those who believe that pensions cannot influence ageist policies could look at the US. Continental Can (then a subsidiary of Kiewit Continental, a Nebraska construction company) in the US agreed to pay $415m to 3,000 former employees three years ago after a court case exposed a computerised plan that triggered redundancies for workers who reached a "magic number" – a combination of age and years of service that qualified them for pension benefits.

In the UK, where employees have no such legal protection, removing older employees can prove a useful way of creating a pension scheme surplus.

Another problem is that employees who recognise that their salary levels in the last year or few years of employment is crucial to their pension entitlement will be reluctant to take a salary drop commensurate with a change of responsibilities.

Even though it is arguable that age discrimination in employment is just as damaging as that based on sex, race or disability – all against the law in the UK – the government is not in favour of legislation.

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Capital markets head	95,500	120,000	152,500	130,125	133.8	100	23,248
Bond sales head	90,000	95,000	105,000	100,833	39.9	44	33,531
Fund management director	94,750	121,000	148,000	123,914	25.1	71	20,193
Eurobond trading head	80,000	100,000	125,000	102,859	83.5	87	16,642
Equity trading head	75,164	90,000	135,000	105,257	50.3	72	20,687
Private banking head	68,755	80,000	91,150	81,962	6.0	60	20,852
Head of research	75,000	90,000	137,500	101,686	46.7	45	16,223
Financial director	75,000	77,275	93,100	86,614	23.2	73	20,378
Chief fx dealer	63,000	78,000	95,000	77,939	45.5	47	18,946
Personnel director	50,000	68,000	80,000	69,838	30.3	56	17,444
Legal services head	53,000	67,000	75,700	68,663	25.0	82	17,853
Money markets head	54,696	64,848	85,000	69,190	41.0	58	16,882
IT Director	55,000	62,424	70,000	63,206	19.7	52	15,207
Credit manager	37,000	44,375	46,500	42,201	8.6	47	14,884
Customer services head	23,500	30,701	37,000	31,061	6.2	25	13,142

Source: Day Associates, Suite 2.31, 75 Whitechapel Rd, London E1 1DU tel (071) 375 1397, fax (071) 375 1723

● The table shows a selection of findings from Day Associates' latest quarterly survey of pay and benefits in City of London banks. Carried out earlier this month, it covers data on 315 jobs in 131 banks and finance houses.

The full report, price £250, can be obtained from Joe Clark at Suite 2.31, Whitechapel Technology Centre, 75 Whitechapel Road, London E1 1DU. Tel 071-375 1397, fax 071-375 1723.

Richard Donkin

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JONATHAN WREN EXECUTIVE

ACCOUNTANCY COLUMN

Young, free and single-mindedly deceptive

Andrew Jack examines the implications for firms in supervising staff after the Nicholas Young case

The high-spending existence of Nicholas Young came to an abrupt and unpleasant end one summer's day four years ago with his arrest by the police. Life for those around him has altered just as painfully but rather more slowly and less conclusively since then.

From 1974, Young had held the senior administrative role at an organisation known latterly as Clark Kenneth Leventhal (CKL), an international network of accountancy firms including Clark Whitehill in the UK.

But he was spending much of his time in and out of Clark Whitehill's London offices dealing with "investors" – including his mother and friends – to whom he promised high returns from a series of complex and confidential funds invested offshore.

Young, the son of the Queen's chaplain, spent some of the money on his extravagant personal lifestyle, and frittered away the rest on an elaborate and ultimately futile horse-racing betting system. He spent more than £10.9m on bets since 1985 alone, recouping just £8.7m.

One of the many ironies of the Young saga is that his ambitious deception could take place on the premises and under the very noses of a number of highly skilled audit partners at Clark Whitehill, which numbers among its clients the Financial Reporting Council.

Another is the fact that Young himself had previously held the position as assistant secretary of the disciplinary committee at the Institute of Chartered Accountants in England and Wales. This very body has just delivered its verdict on Mr Brian Worth, Young's supervisor. One of the great sadnesses of the story is that while the criminal action has proved relatively swift, the pursuit of professional discipline and civil compensation have proved tortuously slow.

Young was jailed for four years in 1991 after being found guilty on charges of making misleading, false and deceptive statements, and deception and forgery. Within 19 months he was free.

That leaves more than 60 investors out of pocket by more more than £8.5m. Five have since died. With no chance of recovering their money from Young, the survivors have launched legal actions against CKL and Clark Whitehill, both of which deny responsibility. The case is now scheduled to begin in January 1996.

Meanwhile, last week an appeal upheld last year's verdict of the Institute's disciplinary committee against Mr Worth, a Clark Whitehill partner and the chairman of CKL at the time the deceptions were unearthed. He was "admonished" and ordered to pay costs of £1,000 for his failure to adequately supervise Young.

The committee concluded that Worth had not made "adequate inquiries" of Young, and the resulting "incompetence" was "of such a degree that it would have caused concern and surprise to most right-thinking members of the public".

The question is not so much whether Mr Worth, Clark Whitehall and CKL knew about Young's fraud in advance of his arrest, but whether they should have discovered it long before the unexpected arrival of a writ from the first of many disgruntled investors in 1990. There have to be at the very least some questions about the gullibility of the Young investors. His promises sound all too familiar to a public now more used to the financial shenanigans of the late 1980s: inadequately explained and ridiculously high returns, the need to maintain utter discretion, the lack of any authorisation from a professional body, and the amateurish style of many of his circulars to investors.

But the victims do have one powerful retort: they maintain that Young had the necessary credibility partly because he appeared to be working on behalf of a reputable firm of chartered accountants rather than simply in his personal capacity.

There are many letters written by Young to his "clients" on letterheads from the firm. There are numerous telephone messages and other signs that he took numerous calls at work.

The relatively small amount of stationery used in these unauthorised ways might have been difficult for the firm to detect. The forged representations that he periodically made in partners' names would prove even more opaque to unearth.

The apparent volume of correspondence and callers at the firm's offices might have raised some suspicions, however. It seems that letters sent there included tipsters' sheets with names such as "Tru-tu-form". None of his post was opened by others, which might have triggered suspicions. The partners seemed to make few inquiries into how Young was able to finance his lifestyle – apparently spending more than £1m a year – when he earned a relatively modest CKL salary. More concerning is the fact that no-one picked up on the scale or nature of his activities at the lunches hosted by Young for both Clark Whitehill partners and outside contacts such as potential investors and bankers who were involved in his private client dealings.

Young even had such correspondence with a manager at the Bank of Scotland in Edinburgh who is the brother of Mr Jim Gemmel, the firm's managing partner.

One partner connected to CKL did have a closer understanding of what was going on. Mr Bengt Bangstad, head of the network's Swedish firm, who is now being sued by the investors, confirmed in a letter to a potential investor in 1987 that Young was providing him with investment returns in excess of 21 per cent a year. He apparently did not pass this information on to other partners.

Separately, an Isle of Man accountant also wrote to Mr Worth in 1989 making inquiries on behalf of a client interested in a high-yielding investment, and saying that he had as a reference Young as the relevant "partner" with Clark Whitehill.

The issue of most concern to the Institute's disciplinary committee seems to have been the evidence that Young was carrying out private activities at his office. He paid CKL £750 a month, rising to £800, for use of space and equipment for his own work. The amounts are shown in the accounts.

An accounts clerk queried these payments in 1985. Brian Worth says he did so more recently. Both received replies from Young that he paid bills and performed clerical work for a number of unidentified friends based overseas. Neither pursued the matter.

The disciplinary committee concluded that Mr Worth had a responsibility to supervise all Young's activities, including his private ones, and should not have relied on his initial "inadequate explanation".

It seems that Young also paid his successive secretaries a top-up each month for carrying out his personal work. They were aware of the nature of his private work, although it seems did not speak to anyone else in the firm about it.

Mr Jim Gemmel argues that the amounts paid by Young to CKL were immaterial in view of the organisation's turnover, that that he was a trusted employee whom no-one had cause to disbelieve and who was an extremely artful deceiver, and that Worth was based in Birmingham with the supervision of Young in London just a small part of his role.

"You can be awfully clever with hindsight," he says. "I really do not think any other professional walking into these circumstances would have done anything different."

How far the courts agree may be unclear for another 16 months or more. In the meantime, other firms would do well to note the attitude of the disciplinary committee, and to consider their own procedures for monitoring the activities of staff, opening correspondence, supervising secretaries and generally keeping their eyes open. As Mr Gemmel says: "I keep thinking, there but for the grace of God go I."

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To fulfil this role you will need a combination of skills and attributes. You will be a qualified accountant (probably chartered) and are also likely to be a graduate or hold an MBA. You are likely to be 40+ and have at least 10 years experience in a senior financial role at Director or Controller level - probably in a service environment. You will be experienced in statutory accounting, budgeting, tax and IT. Additional experience covering investment management, accounting for charities, property administration and working with committees would be a distinct advantage.

Personal characteristics are particularly important. You should have an empathy towards the City's history and traditions and a combination of tact, diplomacy, astuteness and excellent communication skills to work within this cultured environment. You should be able to deal with a variety of demands at any one time and be happy working in a small team where every member has a contribution to make. Equally, you should be comfortable with the social aspects of the company's activities, in which you may well be expected to participate.

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Commercial Controller

Retail Sector

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This position, as Controller for the Retail Trading business, carries accounting responsibility for over 90 duty free, tax free and tax paid retail shops in 26 UK airport terminals and is critical to the continuing success of the company. Therefore, only candidates of the highest calibre and with relevant retail experience will be considered. Reporting directly to the Retail Managing Director and functionally to the Group Finance Director, the Controller will be required to:

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- Build and maintain close working relationships with senior management in Operating and Board positions.
- Manage pro-actively the financial reporting process with an emphasis on commercial and timely information.
- Support and develop an effective team of business accountants.

Prospective candidates must be qualified accountants, preferably graduate (age 35 upwards), with a successful track record of managing a finance function in the retail sector. Individuals who have developed management information systems for multi-site store locations will be of particular interest. Above all, candidates must demonstrate energy and commitment together with the presence to command respect within and outside the business. Applicants should be able to offer both a "hands-on" approach, and the intellectual ability to contribute to strategic decisions.

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The successful candidate, probably aged between 28-38, will be a qualified accountant with sound commercial accounting experience, good systems skills and will be fluent in Spanish. Previous exposure in the freight business is desirable, but not essential.

Successful applicants must demonstrate an enthusiastic and outgoing personality, coupled with sound commercial acumen.

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MANAGEMENT

Esops benefit seniors

About one in three of the UK's 100 largest quoted companies have introduced some form of employee share ownership plan in the last five years. But the majority use them to benefit senior executives, rather than the workforce, according to a new report*.

"Those who had hoped Esops would help to widen and deepen employee share ownership in the UK have so far been disappointed," says the report by New Bridge Street Consultants, which specialises in share schemes.

The report predicts that Esops will continue to grow in popularity, as executive pay becomes more closely linked to companies' long-term performance.

New Bridge Street Consultants says that one advantage of using Esops to reward executives is that institutional shareholders do not regulate them closely. Although institutional shareholders often oppose the grant of executive options over new shares issued at a discount, they appear to have few objections to executives receiving free shares from an Esop.

Public companies have mainly been reluctant to introduce Esops across their workforce because the tax breaks associated with Esops may be compromised if they are operated in tandem with sharesave schemes, in which employees save as they earn.

The companies which have set up an Esop to benefit the entire workforce have usually done so because they have exhausted their ability to issue new shares under a sharesave scheme. Companies may only issue 10 per cent of their shares to employees in any 10-year period.

Esops were originally given fiscal incentives in the 1978 Budget under the Lib-Lab Pact and received further tax breaks in the 1989 budget. The prevalence of Esops among FT-SE 100 companies has since increased five-fold.

Vanessa Houlder

**Executive Briefing. New Bridge Street Consultants, Tallis House, 2 Tallis Street, London EC4Y 0BJ. Free.*

An equal balance

Richard Donkin asks whether the First Direct telephone banking service can maintain the high standards it has set itself

Kevin Newman, looking far too young to be the head of one of Britain's most unusual banking operations, lets his composure drop slightly as he reflects on the hierarchical structure of British business.

"The challenge for UK industry is to tear down the boardrooms. We have to ask fundamental questions about why we need offices," he says. Shedding the trappings of office is part of the management philosophy at First Direct, Midland's telephone banking business.

Newman, [illegible] 36-year-old chief executive, sits [illegible] the telephone [illegible] in First Direct's single-storey headquarters on the outskirts of Leeds. He believes the egalitarian approach which characterises the operation is the stuff of business future.

His style of people management, encapsulated perhaps in the New Testament idea of doing as you would be done by, relies heavily on leadership by example. It is a sobering ethos for managers who wallow in the trappings of status.

Newman recalls disapprovingly a rival building society preparing to move into new purpose-built offices. The architect's plans had a space earmarked for a workplace crèche but this was soon turned into an executive dining room.

First Direct has a crèche for 70 children at its headquarters, and will increase its intake when the bank expands. Currently it employs 1,700 staff but this figure may have moved closer to 2,000 by the end of the year.

While Barclays, NatWest, Lloyds and Midland have all been busy shedding administrative jobs in a bid to become more competitive, First Direct has been recruiting staff. Later this year it is to expand into additional offices on the other side of Leeds that will run in tandem with the existing offices.

The bank's employment policies are linked unusually closely with its business strategy. This is a result of customer requirements identified by early market research which asked people what they wanted from their bank.

The thing customers craved most of all, says Newman, was an equal relationship with their bank manager. "The only people who can deliver this kind of relationship is our staff, and we can't ask people to deliver something that does not reflect the way they are treated themselves as employees in the workplace," he says.

First Direct is among the new remote businesses that most closely resemble what has been called the "virtual organisation". The true virtual organisation is one that appears, serves a purpose and disappears, such as a unit that gathers together for the making of a film and then dissipates after it is made.

Kevin Newman: 'The challenge for UK industry is to tear down the boardrooms'

First Direct presents itself to staff [illegible] a [illegible] through which [illegible]tomers pass to access their money, obtain [illegible] their financial affairs. Conventional banks, staff are [illegible] are a brick wall – [illegible] but restrictive, secure but unresponsive.

The freshness of its staff is in line with this thinking. Only 5 per cent have worked previously in banks. First Direct does not look for former bank training in candidates for its [illegible] of banking representative, equivalent to bank clerk. The onus [illegible] personality.

"We [illegible] skills rather than banking skills because you can acquire banking skills through training," says Newman. His own background was in information technology. He was head of management information systems at Woolworths, the retail chain, before he joined Midland in 1988 to work on the First Direct project as its IT director. He was promoted to chief executive in 1991.

Staff who did transfer from banks in the company's early days often found the new expectations about the approach to their job difficult to handle. They were not used to either dealing with problems themselves or examining how they could do their jobs better.

One of the roots of First Direct's employment philosophy appears to be an underlying fairness about how work is shared. Newman is almost fanatical about single status. The only perk provided exclusively for higher management is company cars, and he has mixed feelings about that. Other benefits are spread across the staff.

The 24-hour banking service is run on flexible shift patterns. In theory staff choose their own working hours, although in practice these tend to be moulded around the peaks and troughs of demand. A quarter of the staff work fewer than 30 hours a week and two-thirds do not work the typical Monday to Friday nine-to-five week.

Janet Chaplin, who joined the bank two and a half years ago, works a 32-hour week consisting of four shifts of 8.30 am to 4pm with Wednesdays off. People can choose anything between 16 and 32 hours a week in order to vary their shifts.

Outlining an example of workplace democracy, Chaplin says: "We decided ourselves how we should dress at work. [illegible] opted for quite smart dress: ties for men and blouses and skirts for women because we thought that how we dressed influenced the way we carried out our jobs. Personally I would like a uniform, but others think that's going a bit too far."

Basic pay is related to an employ[illegible] skills. While [illegible] heavily behavioural (communicating, decision making, judgment, influencing, using information and handling stress), some are technical. Employees are required to match certain standards, covering call duration and time "signed on" at the workstation.

Voice quality is monitored by a team that tracks 5 to 10 per cent of all the calls the bank receives. Monitors are trained to listen to the pitch and tone of the voice, and continuous appraisal is passed on in team feedback sessions.

Appraisal ratings determine levels of performance bonus awarded on top of base pay. The rating reflects measures of hard and soft criteria. While hard measures such as average call duration and income targets are listed, rapport building and the ability to spot opportunities are also rewarded.

[illegible] effectively First [illegible] management approach translates to the bottom line is perhaps too early to judge. Much of the industry has by now adopted some form of telephone banking, but competitors seem hesitant about imitating the management strategies at the core of the First Direct operation, or unclear about how they work. The real challenge for the organisation will be maintaining the high standards it has set itself.

The need for a survival strategy

Alan Cane looks at the challenges facing Japan's computer industry

Western consultants and business academics are forever advising European and US companies to learn from the likes of Komatsu and Honda, NEC and Fujitsu. They argue that Japanese companies are masters of the art of visionary leadership and creative strategy.

Not so, according to an article* by Mochio Umeda, a senior consultant with Arthur D Little in Japan. At least in the computer industry, Japanese management is incapable of articulating a clear vision or providing leadership in the style of a US chief executive, he claims. As a result, the Japanese computer industry is facing its most serious [illegible] in three decades.

Leaders capable of visualising new markets and products are a company's most important competitive asset, he argues. "For Japanese companies to succeed in the computer industry, they will have to achieve this type of profound vision. This will require significant changes in the style of management practised in Japan."

Japanese management, he says, will have to give up "its parochialism, its perverse egalitarianism, its in-group orientation and its tendency to suppress individuality and creativity".

Umeda warns that Japanese manufacturers can no longer avoid the technological trends and commercial pressures which have wrought havoc among the large western computer companies. He says that unless Fujitsu, Hitachi, NEC and others are prepared to change their corporate culture, their survival could be in question.

The industry is today still suffering the effects of Japan's recession. Less than four years ago, however, it was in vibrant good health. This was partly the result of a delicate blend of financial support and market protection orchestrated by the government, Umeda argues. Fujitsu, NEC and Hitachi were able to build a strong and profitable home market for their mainframes, while NEC secured half the market for PCs through proprietary designs that ran special Japanese software.

[illegible] consequence, however, has been that Japan lags behind the west by some years in data processing technology. It has still to come to terms with "downsizing", where expensive mainframes are replaced by networks of smaller, cheaper [illegible] equivalent power. It [illegible] decide whether to [illegible] industry standard operating software and it has to decide a strategy for personal computing.

Umeda lists several factors which he [illegible] will [illegible] in the Japanese electronics industry sliding into crisis in the mid 1990s. First, he says the changes in data processing witnessed in the west are irreversible and that Japanese companies will inevitably follow their western equivalents in downsizing, in moving to client-server computing and to industry standard systems.

"What will happen when Japan shifts to the new culture?" Umeda queries. "Sales of centralised processing systems will stop growing and the old-line manufacturers will see their profitability erode dramatically."

US manufacturers have reacted by restructuring on a grand scale. Umeda says Japanese companies cannot make the necessary decisions fast enough. "They are ill-suited to the computer business which is a place of rapid change in technology, customer identity and industry structure."

He complains that Japan lacks the culture to nurture US-style venture capital businesses and has failed to create any of the important computer technologies.

Umeda fails to mention, however, the alliances many have formed with western companies: Fujitsu with ICL of the UK and Amdahl of the US, NEC with Groupe Bull of France, Hitachi with Comparex. Provided they take the threat seriously, these alliances provide them with working models of ways of surviving in the new computer industry.

**Failing to change: the plight of the Japanese Computer Industry. Mochio Umeda, Prism, second quarter 1994. From ADL offices.*

TECHNOLOGY

Neural networks will soon extend into almost every area of industry and science, writes **Andrew Fisher**

Electronic minds over matter

Ever since [redacted] fiction writers began describing their [redacted] the future, the idea of machines [redacted] can think has fascinated and disturbed people. Today's computers, however impressive their calculat[redacted] and processing [redacted] are [redacted] from being electronic brains. But systems designed [redacted] mimic the brain and recognise patterns in [redacted] amounts of data [redacted] penetrating deeply into the practical world.

Called neural networks, they derive from [redacted] work first carried out in the 1940s. It was only around [redacted] mid-1980s, however, that [redacted] technology [redacted] within [redacted] of commercial users. Applications now range from the monitoring and control [redacted] industrial [redacted] such as steelmaking, brewing or [redacted] manufacture [redacted] chemicals, [redacted] predicting the behaviour of financial markets and trends in consumer demand.

Because of their complexity and [redacted] term neural [redacted] – which tends to conjure up [redacted] image [redacted] a mysterious "[redacted] box" to many businessmen – such systems have met with scepticism as well as approval. Some specialists prefer [redacted] to [redacted] the [redacted] talking to [redacted].

"We find it [redacted] lot of initial interest if [redacted] 'neural network'," [redacted] Richard Hoptroff, managing director [redacted] Information Systems, which produces software for commercial use [redacted] prices ranging from £7,900. "But [redacted] believe it's [redacted] black box. [redacted] bundle [redacted] equations like [redacted] other [redacted]."

[redacted] equations are [redacted] building [redacted] for non-linear [redacted] on [redacted] in the human brain. Since the brain contains about 100bn [redacted] (nerve cells) linked in [redacted] network of myriad connections, [redacted] can absorb and memorise information and [redacted] from all [redacted] in a [redacted] computers cannot possibly match. Neural networks have only [redacted] hundred [redacted] thousand [redacted] (or processing units).

[redacted] are put together in layers, usually three, although more [redacted] be used [redacted] highly advanced systems, [redacted] computers "learn" by being provided with examples. Information is [redacted] passed through [redacted] layers to provide [redacted] problems which would defy conventional computers – built for high-speed calculating [redacted] than selecting patterns [redacted] confusing [redacted] of data – [redacted] require [redacted] speed [redacted] comprehension [redacted] analysis than [redacted] human brain [redacted] supply.

Neural [redacted] not, however, provide all-purpose solutions [redacted] tricky problems. Their value depends [redacted] data with which they are [redacted] how effectively [redacted] results [redacted] used. "It's not [redacted] technology [redacted] everything [redacted] way," [redacted] Ray Browne, [redacted] the neural computing [redacted] UK's Department of Trade [redacted] Industry. "It's [redacted] tool in [redacted] toolbox."

[redacted] of this [redacted] growing rapidly, according [redacted] Frost [redacted] Sullivan, the [redacted] company. Up [redacted] 1998, [redacted] world neural [redacted] expected to expand at a compound rate of 46 per [redacted] year. Over [redacted] decade, [redacted] report, "neural networks will permeate [redacted] area [redacted] business, industry and science". Mostly, they will be integrated with [redacted] applications or systems.

"Neural networks will enable breakthroughs [redacted] such [redacted] continuous speech recognition, handwritten character recognition, and autonomous vehicles or robots."

As well [redacted] electronics industry [redacted] IBM, Fujitsu, NEC, [redacted] and Intel, [redacted] host [redacted] smaller, specialised companies [redacted] working [redacted] neural computers and applications. In [redacted] networks [redacted] combined [redacted] types [redacted] computer technology [redacted] as genetic algorithms (copying biological mechanisms to produce evolving solutions) and rule induction [redacted] (generating [redacted] specific tasks).

In Japan, Fujitsu [redacted] developed hybrid systems using fuzzy logic [redacted] help deal with imprecise data. One [redacted] fuzzy system [redacted] to build up [redacted] bond rating [redacted] for [redacted] Securities. Fujitsu [redacted] produced [redacted] neural network system for Nikko to predict the best times to buy and sell Tokyo-quoted stocks.

Both systems yielded a high degree of accuracy. Because of the extra analytical dimension provided by neural networks, many banks and financial institutions use them as aids to bond, foreign exchange and equity trading as well as for more [redacted] such [redacted] credit-checking, fraud detection and mortgage [redacted].

Thus much [redacted] recent emphasis has been on applications in finance, although many bankers are hesitant about entrusting large sums of money to the judgments of a computer. Since it is very hard to [redacted] why [redacted] neural network comes up with a particular [redacted] or recommendation, this wariness is not easily dispelled. Also, new factors can come into play which have not been put into the system.

Even so, financial applications will continue to play an important role [redacted] market. Frost [redacted] Sullivan expects them to account for 23 per cent of the worldwide [redacted] network business [redacted] 1998 (against 20 per cent in 1990), by which time the total market should exceed $2bn (£1.3bn). Industrial uses should make up 24 per cent (also 20 per cent in 1990), with the defence share falling from 39 per cent to 21 per cent. Among other applications, the medical sector is likely to be in the forefront with 7 per cent.

Among the most promising fields for neural network technology are retailing and market research. As in banking, [redacted] successful systems [redacted] not [redacted] to talk [redacted] Freeman, UK-based manager of market modelling for Kraft General Foods of the US, says neural networks can be [redacted] helping decide on the timing of commodity purchases and [redacted] pricing and marketing of products. "We build models of things like the way in which [redacted] Germany affects chocolate sales [redacted] or [redacted] prices on consumption."

The [redacted] of these modelling exercises, [redacted] with other [redacted] analysis, are used widely in [redacted] group. The [redacted] price [redacted] clearly changed the outlook for [redacted] brands. "In [redacted] pricing," adds Freeman, "a very very small percentage [redacted] can be [redacted] expensive." Using [redacted] data, [redacted] can [redacted] past price gyrations [redacted] and feed [redacted] into [redacted] neural [redacted]

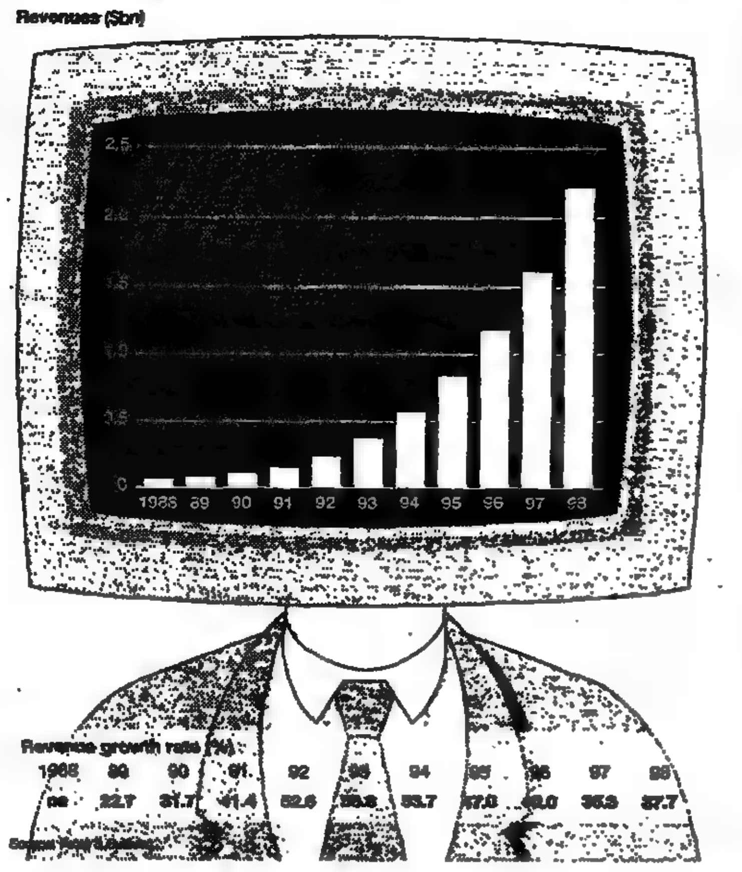
[redacted] front, Radio [redacted] uses [redacted] system devised by Central Research Laboratories – both [redacted] owned by Thorn EMI of the UK – to ensure greater [redacted] targeting [redacted] special campaigns. By analysing [redacted] records, lifestyle [redacted] the equipment, [redacted] likely to [redacted] hire [redacted] for [redacted] and [redacted] goods and which [redacted] likely [redacted] respond [redacted] promotions.

[redacted] to [redacted] savings on mailing [redacted]. "If you're going [redacted] analysis and see how to earn money, you have to recognise that some improvements can result in a [redacted] money," says Jeremy Severwright, [redacted] development [redacted] computing [redacted] "[redacted] through [redacted] quickly." Banks, book [redacted] companies are [redacted] who can [redacted] profit [redacted] by [redacted] techniques.

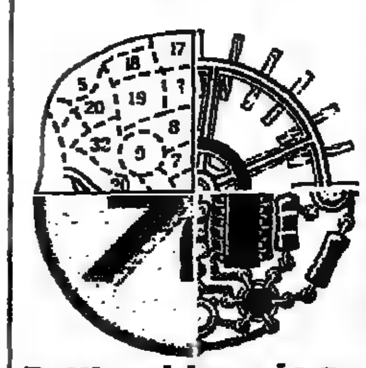
[redacted] more heavyweight uses. [redacted] Fujitsu's [redacted] was developed [redacted] Nippon [redacted] prevent [redacted] casting [redacted] Kazuo Asakawa, manager of Fujitsu's intelligent systems laboratory, [redacted] day, some years hence, when neural networks will combine with arrays of sensors [redacted] a new generation [redacted] self-learning robots [redacted]

Currently, however, neural network experts [redacted] preoccupied with [redacted] industry [redacted] adopt [redacted] technology [redacted] widely. "Industry is not as aware as it should be," says [redacted] Goonatilake, [redacted] at University College London. [redacted] Britain, [redacted] DTI [redacted] been spreading [redacted] through [redacted] spawned a [redacted] of applications [redacted] although [redacted] US and Japan still have the lead in this area. European countries are catching up quickly.

Forecast growth in world neural [redacted] market



Worth Watching · Vanessa Houlder



Putting drivers in a better light

German researchers have developed a technique to help car drivers dazzled by the sun and blinded by the headlights of on-coming traffic. The electrochrome glazing process developed [redacted] Dornier, a subsidiary of Deutsche Aerospace, will allow [redacted] driver to filter out light at the press of a button.

The technique involves coating glass with a layer of ultra-thin material, which alters its chemical composition, colour and [redacted] permeability [redacted] a voltage is applied. The filter lasts until the voltage is discharged.

Dornier: Germany, [redacted] 49 [redacted] 80.

[redacted] air [redacted] unreality in the hospital

Trainee anaesthetists will soon [redacted] taught how to tackle life-threatening situations without putting patients at risk, using a virtual reality training programme, writes Ben Vaughan.

By donning a head-mounted display, the user enters a virtual reality world, [redacted] replica of the [redacted] operating theatre, complete with a patient in need of treatment. A hand-held peripheral emulates hands and allows the student to pick the chosen treatment. The success of the treatment is immediately apparent as the patient and the monitoring instruments respond.

The system was designed by Virtuality Group, [redacted] the UK and [redacted] Centre, Nottingham.

Virtuality Group: UK, tel 0533 337000; fax 0533 471 855.

Treatment boost for herpes sufferers

A Californian pharmaceutical company has developed [redacted] formulation [redacted] acyclovir, the herpes drug, which would make it [redacted] to administer to patients. Acyclovir is the generic name for Zovirax, the top-selling drug developed by Wellcome.

Currently, the drug is taken five times daily to treat herpes outbreaks. However, Genta, [redacted] US pharmaceutical company and Jagotec, its joint venture partner, have conducted a pilot study, which suggests the dosage could be cut to twice daily.

The trial used the joint venture's Geomatrix controlled-release formulation which is designed to maintain nearly uniform blood levels of a drug through the steady release of the active substance from a tablet that swells as it passes through the digestive tract.

Genta Incorporated: US, tel 619 455 2700; fax 455 2712.

Cleaning up plastic recycling

Attempts to recycle waste plastic usually run into difficulties because chloride-based plastics emit hydrogen chloride and other harmful by-products. Toshiba, the Japanese corporation, has started a pilot plant which overcomes this problem by adding a high-density [redacted] solution during the heating process. This transforms hydrogen chloride into [redacted] harmless salt, allowing the fuel oil to be reclaimed without contamination.

The pilot plant can handle a maximum of 250kg of waste plastics from Toshiba's [redacted] in an 11-hour reclamation process. The company [redacted] to [redacted] up full-scale commercial plants at the end of next year.

Toshiba: Japan, tel 3457 2105; fax 3456 4776.

IBM pushes the boat out

[redacted] month's International Boat Show at Southampton will feature an interactive computer [redacted] help [redacted] choose the most appropriate craft [redacted]. The IBM system, which takes into account factors such as budgets and previous experience, gives users a print-out with information on the range of suitable craft available. British Marine Industries Federation is promoting the system.

BMIF: UK, tel 0785 473377; fax 0784 439 678.

ARTS

As the Edinburgh Festival gets into its stride, our critics review mainstream opera, theatre and ballet

'Fidelio day'

Wednesday was declared "*Fidelio* day" at the Edinburgh Festival. A programme of lectures and concerts illustrating Beethoven's long struggle to write the opera led in the evening to a performance of *Fidelio* in Scottish Opera's new production at the Festival Theatre. Attendance grew as the day went on.

At least those who only turned up in the evening should have plenty to think about. The issues tackled by Beethoven are clear-cut and the best way of learning about the opera is simply to see it. This year I had already come across two very different productions. One created an unholy mess by trying to equal[illegible] Fidelio as redeemer with Christ (he offered bread and wine to twelve prisoners, who sat at a long table). The other was an exciting thriller in which oppression and suffering were depicted with ferocious impact.

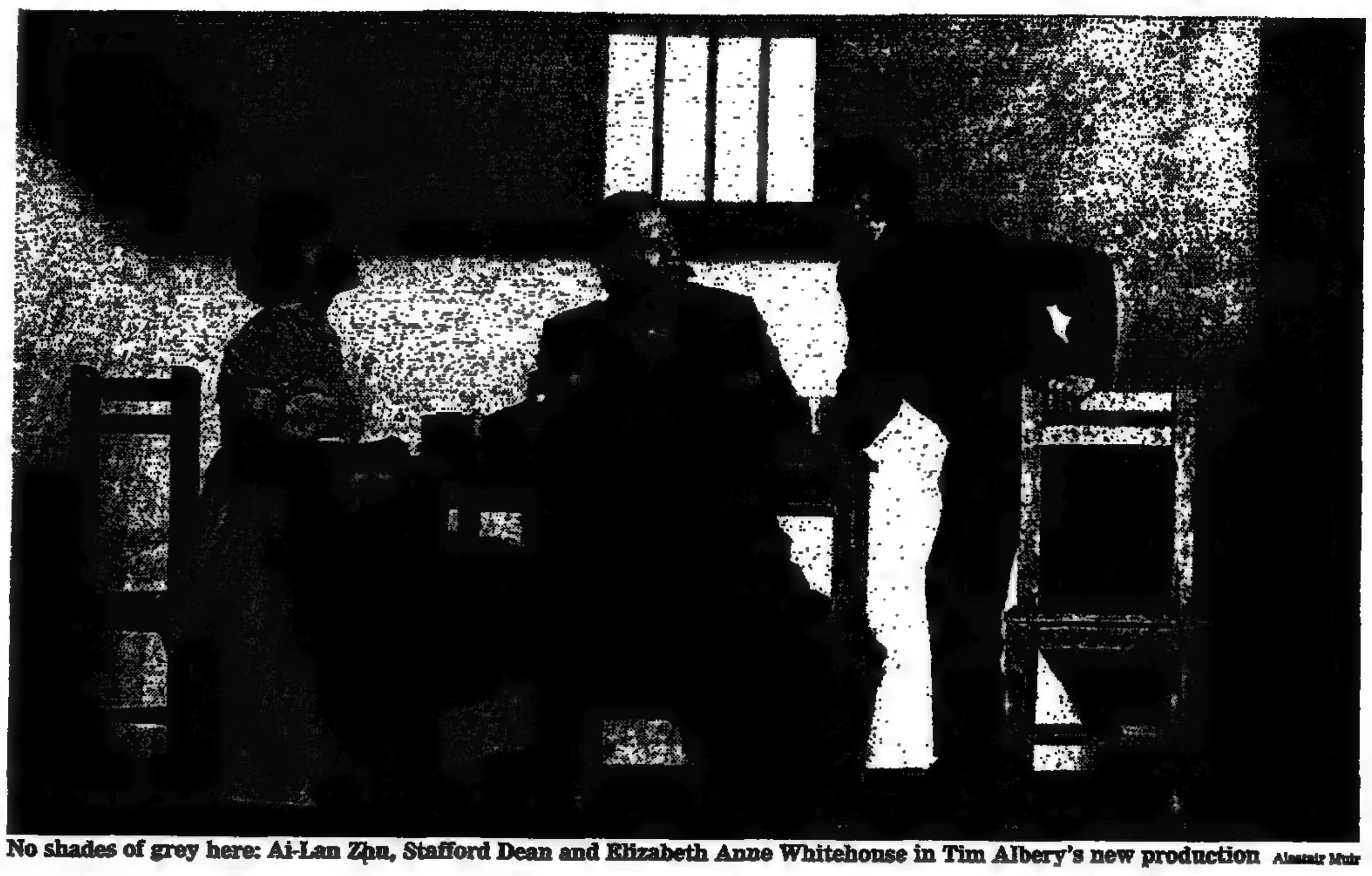
The realism of the latter is not necessary to put across Beethoven's all-powerful message: that Right triumphs over Wrong. As in much of his previous work Tim Albery, Scottish Opera's producer, has turned to expressionism for his theatrical language. This is no gloomy *Fidelio* in shades of grey. The brightness and colour controls are turned up to maximum. Stewart Laing's striking sets, brilliantly lit by Peter Mumford, divide the stage into brightly-coloured compartments, each like a television screen playing a different scene.

When the curtain goes up, they form the tiny, box-like living quarters of the prison staff. Albery is good at capturing the claustrophobic atmosphere of these scenes. In the famous quartet the characters face each other across the kitchen table, a potentially discordant ensemble of family tensions. Ai-Lan Zhu's brightly-sung Marzelline survives through hopes of marriage to the resentful, tattooed young Jaquino of Richard Coxon. Stafford Dean's firm bass Rocco looks prematurely aged by the drudgery of prison life.

They make vivid minor characters in the larger scheme of things, but Albery himself is less at ease at this higher level. He sets *Fidelio* in the present-day, which is fair enough. (Who believes Beethoven's submission to the [illegible] that the opera takes place in the 16th century?) But doubts arise when a panorama of a [illegible] in provide a backdrop to Leonore's aria and coloured lights pick out the singers in the Act [illegible] quartet – Pizarro, red for vengeance; Leonore and Florestan, yellow [illegible] hope; and Rocco, [illegible] for ... well, for what?

These are fussy contrivances in a production which [illegible] strong [illegible] with a good grip on the [illegible]. The most fascinating is Matthew Best's frighteningly repressed Pizarro, outwardly a neatly-manicured civil servant, but being eaten away inside by [illegible] of evil. Elizabeth Whitehouse manages to make Leonore convincing as a pasty-faced, adolescent boy. Her lyric soprano is more fluid than usual and the music benefits from the ease of her singing. Michael Pab[illegible] Fl[illegible] pinched, not always in tune. Carsten Stabell made a grave Don Fernando.

By the time he arrives as *deus ex machina*, the performance [illegible] a [illegible] level of tension. The [illegible] Richard Armstrong likes his Beethoven red-blooded and led a strong and decisive performance, crowned by the Scottish Opera chorus on its best form. The open pit at the new Edinburgh Festival Theatre made the orchestra sound too loud, but that is a minor problem to sort out. For its first [illegible] appearance in the new theatre the company has a success to its credit.



No shades of grey here: Ai-Lan Zhu, Stafford Dean and Elizabeth Anne Whitehouse in Tim Albery's new production Alastair Muir

Earlier in the day Charles Mackerras had given us a contrasting view of Beethoven: lean, lithe, rhythmically keen, finely played by the Scottish Chamber Orchestra. This was a concert performance of *Leonore*, the first version of the opera from which *Fidelio* was eventually to emerge. [illegible] good [illegible], despite Janice [illegible] overparted Leonore; Franz [illegible] was an imposing Rocco and Donald Maxwell a fierce Pizarro. Rebecca Evans and Paul Charles Clarke made a touching Marzelline and Jaquino.

Nobody hearing the two versions of the opera could feel any regrets [illegible] changes. Indeed, it [illegible] that the garrulous and awkwardly-written *Leonore* could be transformed into the dynamic *Fidelio* we know today.

Richard Fairman

Tormented poet

Martin Hoyle on Goethe's view of Torquato Tasso

The poet Tasso's last years were clouded by his delusion that the [illegible] of the Duke of Ferrara, an unimpeachably respectable lady who recoiled at the very idea, returned his passion. Co[illegible]t [illegible] a lunatic resulted. A regret for lost innocence and nostalgia for some distant golden age can be discerned in his greatest works, the pastoral play *Aminta* and the epic *Gerusalemme Liberata* – crassly characterised in the Royal Lyceum programme notes to Goethe's *Torquato Tasso* as "[illegible]ioned and unattractive", words perhaps more suitable to Robert David MacDonald's translation of Goethe's play.

A more modestly-resourced production some four years ago by a fringe touring company was rather a lively affair. Now a sumptuous-looking [illegible]formance directed by MacDonald himself continues the Edinburgh Festival's official theatre programme; but the Lyceum's offering is no jollier than the turgid [illegible] *Streams* at [illegible]dowbank.

Despite a combination of talent and an unhappy life, Tasso is not really romantic [illegible] material. Inward-looking, self-destructive, chronically unable to deal with relationships, he seems to have given Goethe cause for reflection during the writing of the play: the author identifies with the pragmatic statesman whom Tasso sees as an enemy as much as with the fraught artist. The old joke, just because you're paranoid doesn't mean people aren't against you, rang [illegible] in [illegible] Italy, [illegible] knows, but Tasso is too confused – dare one say silly? – for a tragic protagonist. His genius for alienating his most loyal supporters irresistibly recalls the famous description of the destitute Mrs Patrick Campbell as a sinking ship firing on her rescuers.

The image lingers, thanks to this version's updating to the 1920s. The [illegible] in looking like Erté fashion plates. The Duke is dapper in spats. And here one feels the same reservations as in Jonathan Miller's modernisation of a neighbouring ducal court in the ENO *Rigoletto*: the power of life and death, political absolutism, [illegible] authority of the state – none of them ring true when the boss is simply a 20th-century playboy. The modernisation belittles the tragedy.

Julian [illegible] is handsome: black railings, white columns, a high gallery overlooking the stage. If you expect the company to burst into Coward you are soon undeceived. The piece is static, much of the opening a discussion on the nature of poetry. It might work better as a radio conversation piece. The translation's unremitting pentameters and unremarkable vocabulary, with no [illegible] of character to distinguish most of the dramatis per[illegible] cast a somnolent spell. The production boasts a sizeable input from the Glasgow Citizens Theatre, so its emergence as worthy, well-acted and dull is surprising given the Citz' speciality in the louche, the coarsely-acted and the entertaining.

Henry Ian Cusick in the title role

The play's emotional and philosophical opposites, perhaps also those of Goethe's [illegible] character, are finely embodied. As the bureaucrat perceived by Tasso to be maliciously engineering his downfall, the morning-suited Mark Lewis [illegible] elements of [illegible] Chamberlain, Anthony [illegible] and Oswald Moseley. The aloofness and chill superiority easily explain Tasso's fears, while hinting at the practicalities of power in the hands of the well-meaning – the archetypal politician wearily fending off fanatics and idealists; Creon in *Antigone*, say.

As Tasso, Henry Ian Cusick paints a marvellous picture of hysterical insecurity combined with real charm and presumed talent. One can understand why the court put up with its troublesome pet poet. I suppose the Duke's contemporaries considered artistic status symbols important; and the uppity ones were cut down to size by the contempt [illegible] nice touch in this production) of the silent footmen whose disdain one has seen in countless commissionaires, doormen and head waiters.

Miami 'Jewels'

Clement Crisp reviews Balanchine's Rubies, Diamonds and Emeralds

For the first time in too many years, the Edinburgh Festival is providing a strong, varied run of dance events. Gone, and I hope for good, those dim [illegible], all [illegible] and [illegible] substance, that used to give the festival more the air of a torture chamber than a celebration. In what is the best of omens, Balanchine's [illegible] open the dance programme – not, alas, with New York City Ballet, but with a nonetheless happy substitute.

Miami City [illegible] is not quite ten years old. It was brought into [illegible] by Edward Villella, most dazzling, most ardent of NYCB's men, whose portrait is still the roles Balanchine made for him: the darting hero of *Tarantella*, the electric-muscled fire-cracker in *Rubies*, a mysterious Oberon, the powerful lover in *Bugaku*'s duet.

Villella's decision to root the Miami troupe in his own Balanchinian [illegible] proved wise. As we saw a couple of years ago, when the company made its British debut in Northampton, Miami's dancers have already learned to speak Mr B's classic language as their own. There is an inevitable regional accent – we are in a province [illegible] Roman Empire [illegible] than Rome [illegible] – but Balanchine's [illegible] about musical responsiveness and dynamic clarity [illegible] respected. Indeed, one of the fascinations and rewards in watching MCB [illegible] to see how [illegible] Balanchine's [illegible] remain in performance, and how vivid are the Miami interpretations.

The first of two [illegible] programm[illegible] this week [illegible] devoted to *Jewels*. It comprises [illegible] episodes, linked by no more than the thinnest of [illegible] Arpels, [illegible] van [illegible] Arpels, showed Balanchine some stunning [illegible] emeralds, rubies, diamonds, which gave titles to otherwise unrelated plotless scenes. It is a marvel – Miami is the only company other than NYCB to dance it – [illegible] is no more (and no less) than the scores Balanchine chose. *Emeralds* uses Fauré's *Pelleas and Melisande* and *Shylock* suites; *Rubies* is Stravinsky's Capriccio for piano and orchestra; *Diamonds* is set to the last four movements of Tchaikovsky's third symphony.

Rubies' punchy, [illegible] neo-classicism originally centred on Villella and Patricia MacBride. Diabolically [illegible], aggressive, it is very well done by the Miami cast, led by Maribel Modrono (beautifully clear and adorably sassy at every moment) and Marin [illegible] (not quite rivalling Villella, but giving the dance the right pugnacious air), and Myrna Kamara, with an almost strident physicality that makes huge sense of the second woman's role.

Neither *Diamonds* nor *Emeralds* received such [illegible] readings. *Diamonds* is Balanchine's homage to the Marinsky of his youth, and more especially to the ballets of Ivanov (it has subliminal links with *Swan Lake*). It demands grandeur, which MCB does not yet possess, and is in no way helped by costumes that have a trumpery and ill-fitting air, and a set that rushes in at the last minute as if it had been hijacked from a down-town hairdresser's (gimcrack chandeliers and vulgar looking-glass). I admired very much Iliana Lopez in the exquisite adagio: she has a natural dignity, as well as a brave technique, that make entire sense of this homage to the ballerinas of Balanchine's youth. You believe in her as you do in the dances she shows you.

[illegible] is the most subtle of these jewels (as the stones themselves are), and it is to [illegible] credit that it has such gentle lustre. Its central role is by turns witty and elegiac – it was created for that most musical dancer, Violette Verdy – and Sally Ann Isaacks was very delightful in it. (Verdy's solo, to the Spinning song from *Pelleas*, is a tiny marvel which Miss Isaacks did enchantingly).

The ballet ends with one of Balanchine's daring, simple conceits: as the music for Meli[illegible] death [illegible] its close, three male dancers are left on stage, kneeling, one arm outstretched. That is all. That is everything. (And a pox on whoever brought the curtain down five seconds too soon on Wednesday night. The exquisite image was diminished). But *Jewels* made a fine start to the Festival [illegible], and Miami City Ballet merits all our gratitude. The programme-notes to repertory, however, do not: they are altogether too garrulous and inexact.

Miami City Ballet's appearance is sponsored by Hertz.

Obituary

Elias Canetti

The death of the 1981 Nobel Prize-winning author Elias Canetti at the age of 89 at the weekend removes one of the most enigmatic figures of the literary world.

The enigma begins in trying to define his nationality. He was born in Bulgaria of Spanish-Jewish parents who moved to Manchester running a family business where he learned English.

After the death of his father in 1913 they went to Vienna where he reverted to the family's usual language of German. At the Nazi takeover in 1938 he moved to England and for many years lived in a flat in Hampstead with his first wife Veza, who died [illegible].

Canetti's circle of English friends included Iris Murdoch and Andre Deutsch [illegible] published his books here. But while seemingly settled in London he also maintained an apartment in Zurich and latterly went there to live. Now he is buried in a grave next to that of James Joyce.

It was in German that he wrote his books. The best known is his novel *Auto da Fé* (in German *Die Blendung*) which was translated into English in 1946 by the historian Veronica Wedgwood "under the personal supervision of the author".

Its Austrian hero Peter Kien is an authority on ancient China who lives only for learning. He immures himself in a vast library and dreams of leading a life of uncompromising scholarship. The destruction of his dream by malignant human forces male and female and the ultimate loss of the library in a vast conflagration is the theme of the novel originally published in 1935. It stood as a prophetic, poetic warning of the fate that was about to befall Europe.

Then Canetti produced what is his most accessibl[illegible] masterly work *Masse und Macht* (in English *Crowds and Power*) in 1960. It is a sociological and anthropological study of mob behaviour based on personal [illegible] in Vienna ranging widely across many cultures from that of the N[illegible] Indians and ancient Islam to modern Europe.

Its appearance brought Canetti international recognition as a major writer. Canetti continued to develop in a series of autobiographical volumes beginning in 1977 with *The Tongue Set Free*, followed by *The Torch in [illegible]* in 1980 and *The Play of the Eyes* in 1986.

The latter contains portraits of his eminent Viennese contemporaries, Herman Broch, Robert Musil, Alban Berg and Alma Mahler.

There were several other volumes of essays including a charming record of a visit, *The Voices of Marrakesh* in which Canetti observed the Arabs, Jews and Europeans who make up the city's population.

Canetti's profoundity is a [illegible] to insularity and is likely to gain in stature and importance in the years ahead.

Anthony Curtis

INTERNATIONAL ARTS GUIDE

■ EXHIBITIONS

AMSTERDAM
Rijksmuseum The Renaissance Print 1470-1500: a superb survey including works by Andrea Mantegna, Albrecht Dürer and Lucas van Leyden. The selection emphasises the diversity of printmaking and variety of techniques used, and includes devotional prints, landscapes assembled in albums, early colour prints and immense ensembles, such as Jacopo da Barbari's View of Venice. Ends Oct 30. Closed Mon
Van Gogh Museum Van Gogh's Self-Portraits: 20 paintings and two drawings dating from his stay in Paris 1886-7. Ends Oct [illegible]

ANTWERP
Hessenhuis-Museum Music and Painting in the Golden Age: 50 paintings by 17th century Netherlandish masters, illustrating the importance of music and musicians in the art of the period - in military, allegorical and genre settings. Ends Oct 30. Closed Mon

BERLIN
Ephraim-Palais Berlin Painting from Blechen to Hofer: a selection of the most important 19th and early 20th century paintings from Berlin galleries, starting with the German Romantic painter Karl Blechen and continuing through the Biedermeier period, German Impressionism, Beckmann and other expressionists, and on to the Neue Sachlichkeit. Closed Mon (tel 238 0900)
Kunstforum The Ideal and Nature: watercolours and drawings from the Munich Lenbachhaus 1780-1850. Ends Sep 4. Daily
Altes Museum The Last Days of Humanity: artists' responses to the First World War, including work by Beckmann, Kokoschka, Dix, Picasso, Chagall and Wyndham Lewis. Ends Aug 28. Closed Mon
Berlinische Galerie Raoul Haussmann (1886-1971): retrospective of one of the leading figures in the Berlin avant-garde of the 1920s. Ends Oct 2. Closed Mon

BERNE
Kunstmuseum Balthus (b1908): a collection of drawings by the French painter, now resident in Switzerland. Ends Sep 4. Closed Mon

BONN
Kunsthalle The Century of the Avant-Garde in Central and Eastern Europe: 700 works by 200 painters and sculptors, offering a thematic guide to the main artistic developments of the past century. Ends Oct 16. Closed Mon

BRUGES
Groeningemuseum Hans Memling: a 500th anniversary show grouping some 40 works by the 15th century Flemish master, including a number of fragile loans from as far afield as Pasadena and Gdansk. Ends Nov 15
St John's Hospital Modigliani Drawings 1906-1914: this is the touring exhibition, already seen extensively in Europe, of early drawings given or sold by the artist to his friend Paul Alexandre when living in Paris and recently redicovered by Alexandre's son Noel. Ends Oct 2

CHICAGO
Art Institute Odilon Redon: 180 works by the late-19th century French painter-poet. Ends Sep 18. Goya: 100 small-scale paintings. Ends Oct 16. Daily

DIJON
Musée Magnin Sculptors' Designs 1850-1950: a survey of developments in sculptural art from Daumier, Degas and Rodin to Giacometti and Picasso. Ends Sep 11. Closed Mon

DUSSELDORF
Hetjens-Museum Ceramic Works of Picasso, Miró and Tàpies: 90 works by three major Catalan artists of the 20th century, ranging from Picasso's decorative owls and figurines to Tàpies' massive sculptures. Ends Aug 28. Closed Mon

EDINBURGH
National Gallery of Scotland Monet to Matisse: landscape painting in France 1874-1914. Ends Oct 23. Daily
Royal Scottish Academy The Romantic Spirit in German Art 1790-1990. Ends Sep 7. Daily

ESSEN
Villa Hügel Paris - Belle Epoque: an evocation of the period from 1880 to 1910 with paintings, drawings, posters, photographs, glass and furniture. Ends Nov 13. Daily

FLORENCE
Palazzo Pitti Royal Treasures from Denmark: silver furniture, royal costumes and ivories dating from the era of Frederik IV of Denmark, who visited the court of Cosimo III in Florence in 1709. Ends Sep 11

HAMBURG
Kunsthalle Masterworks from the Guggenheim Collection: 60 paintings by Picasso, Braque, Dubuffet, Bacon, Chagall, Kandinsky and Miró. Ends Sep 25. Closed Mon

LONDON
British Museum Greek Gold - Jewellery of the Classical World: a beautiful show of intricate craftsmanship, bringing together works from the Hermitage, British Museum and Metropolitan. Ends Oct 23. German Printmaking in the Age of Goethe. Ends Sep 11. Daily
Hayward Gallery Bonnard at Le Bosquet. Ends Aug 29. Daily (advance booking 071-928 8800)
Tate Gallery R.B. Kitaj retrospective. Ends Sep 4. Daily
Victoria and Albert Museum Pugin - [illegible] Gothic Passion: retrospective of the 19th century British architect and designer. Ends Sep 11. Daily
National Gallery From Caspar David Friedrich to Ferdinand Hodler, [illegible] Romantic Tradition - Paintings and Drawings from the Oskar Reinhart Foundation. Ends Sep 4. Daily
Royal Academy of Arts The Belgian Avant-Garde 1880-1900. Ends Oct 2. Daily (advance booking 071-240 7200)
Courtauld Institute The Samuel Courtauld Collection: top-class Impressionist paintings originally in the private collection of the institutes's founder, with loans from the National Gallery and other collections. Ends Sep 25. Daily

LUGANO
Villa Favorita The St Petersburg Murakka: first-ever public display of 98 large double-sided folios of breathtakingly beautiful calligraphy by the celebrated late 16th century Persian court artist Mir 'Imad Al'Hasani. Ends Oct 2. Europe and America: 19th and 20th century oil paintings and [illegible] ranging from the Hudson River School to examples of Cubism, German Expressionism, the Russian avant-garde, Dada, Surrealism and Pop Art. Ends Oct 30. Closed Mon. No parking facilities: take Bus no 1 (tel 091-516152)

MONTECASSINO
Museo dell'Abbazia Medieval Illuminated Parchments from Southern Italy: precursors of the tele-documentary, these richly-illustrated parchment scrolls were thrown down from the pulpit at the climax of the Christian liturgical year, the Easter Vigil. The 31 known extant examples are on show, all with their superbly lively and colourful scriptural illustrations. Ends Aug 31. Daily 9 am - 12.30 and 3.30 - 7 pm. Montecassino is about an hour's drive south of Rome on the Naples road. There are excellent fish restaurants clustered round the base of the hill, with trout from local streams.

NEW YORK
Metropolitan Museum of Art Picasso and the Weeping Women: 80 paintings and works on paper from the 1930s and 1940s. Ends Sep 4. The Annenberg Collection of Impressionist and Post-Impressionist Masterpieces. Ends Nov 27. Dali - The Early Years. Ends Sep 18. Closed Mon
Museum of Modern Art From [illegible] to Picasso - Masterpieces from the David and Peggy Rockefeller Collection. Ends Sep 6. British Drawings 1890-1990. Ends Sep 13. Closed Wed

OTTAWA
National Gallery of Canada Egyptomania: a survey of 200 years of Egyptian influence on the art of [illegible] (1730-1930), opening with 25 spectacular Egyptian objects, including a colossal statue of Ramses II. Ends Sep 18

PARIS
Musée d'Orsay Nadar, Photographs 1854-65: Nadar was a friend of writers and painters, whose portraits raised photography to a creative art. Ends Sep 11. Closed Mon
Centre Georges Pompidou Joseph Beuys: retrospective of one of Germany's leading avant-garde artists of the postwar period. Ends Oct 3. Closed Tues
Musée Picasso The world's largest collection of Picasso[illegible] work is completed by his own collection of paintings by friends such as Braque and Matisse, and artists he admired, such as Renoir and Cézanne. Closed Tues (4271 2521)
Musée Rodin This delightful 18th century town house contains the life work of the sculptor Auguste Rodin. Closed Mon (tel 4418 6110)
Musée Marmottan This museum houses an important collection of paintings by Monet, including Impression-Soleil levant, from which the Impressionist movement took its name. Closed Mon (tel 4496 5033)

PRAGUE
Convent of St [illegible] of Bohemia Chinese Ceramics: 150 items from the National Gallery's collection, offering a historical and evolutionary survey from the Neolithic period to the era of the art's ultimate flourishing in the 19th century. Ends Oct 30. Closed Mon (U Milosrdnych 17, Stare Mesto)

VIENNA
Jüdisches Museum Max Oppenheimer (1885-1954): [illegible]spective of one of the most neglected figures in early 20th century Austrian art. Ends Sep 18. Closed Sat
Kunsthistorisches Museum Tintoretto portraits. Ends Oct 30. Albrecht Dürer: a selection from the museum's collection of work by the early 16th century German master. Ends Oct 30. [illegible] Mon

WASHINGTON
National Gallery of Art Willem de Kooning's Paintings: 75 works by America's influential abstract expressionist. Ends Sep 5. From Minimal to Conceptual Art - Works from the Vogel Collection: 90 drawings, photographs, paintings and sculpture by contemporary artists, including [illegible]Witt, Christo, Ryman, Beuys and Flavin. Ends Nov [illegible]7. Daily

ZURICH
Kunsthaus Dada Global: a large selection of paintings, drawings and collages by Duchamp, Man Ray, Ribemont-Dessaignes, Max Ernst and many others, plus posters, letters and other documents relating to the nihilistic movement founded in Zurich in 1916. Ends Nov 6. Closed Mon

Quarrel in the family

Europe and the US must refine Nato roles, says Bruce Clark

Once today's funeral [illegible] of Nato [illegible] retary-general Manfred Wörner is over, senior ministers of [illegible] 16-member western alliance will return to the task [illegible] forging [illegible] more mature defence relationship. Improving transatlantic understanding was a loudly proclaimed [illegible] of the [illegible] summit eight months ago, when the US, like a weary parent, acknowledged that its European "children" had come of [illegible]

In cold war [illegible] European dreams of self-sufficiency in defence were dismissed in Washington as the foolish and irresponsible fantasy [illegible] adoles[illegible] but in January, US President Bill Clinton finally told his European counterparts [illegible] he wanted them to do much [illegible] for themselves.

The Franco-German Eurocorps, [illegible] budding European land army which also involves Belgium, Spain and Luxembourg, [illegible]ed Washington's blessing; [illegible] did the idea of upgrading the nine-nation [illegible] European Union into a properly functioning military club that could [illegible] alone.

Under America's benign [illegible] new and adaptable task[illegible] be designed, ready [illegible] sally forth [illegible] deal with [illegible] military challenge [illegible] along. [illegible] carefully [illegible] pieces from the [illegible] of, [illegible] three [illegible] European countries, not [illegible] which would need to [illegible] mem[illegible] of [illegible]

But Nato, [illegible] a decent [illegible] soul, would still provide [illegible] with all [illegible] military assets they lacked: long-range transport, intelligence, mobile headquarters [illegible] In practice, [illegible] of [illegible] would have [illegible] furnished by Uncle Sam, [illegible] he [illegible] the only member [illegible] Nato family who [illegible] them [illegible] sufficient quantity.

All this talk [illegible] high-minded, disinterested generosity [illegible] too good [illegible] true, [illegible] it [illegible] Progress [illegible] redefining [illegible] relationship [illegible] Nato [illegible] has [illegible] painfully slow, and the much-vaunted [illegible] forces [illegible] hardly [illegible] the drawing board, much less off it.

The reasons for this [illegible] clear. France, as [illegible] driving [illegible] in [illegible] WEU [illegible] the [illegible] of European self-suffiency in [illegible] wants anything the [illegible] does in the military [illegible] be as free as possible from US [illegible] The [illegible] predictably, is not willing to put its military [illegible] at its [illegible] disposal unless it can retain some say over how long and [illegible] and for what purpose they will be used.

In a sense, both sides are trying to have things both ways. The French want maximum access to US facilities and the minimum US influence, while the Americans want to scale down their commitment of hardware and [illegible] Europe without losing their political prestige.

For politicians on both [illegible] Atlantic, [illegible] thing tempting [illegible] the [illegible] a military [illegible] of highly visible European [illegible]vicemen [illegible] armour, discreetly backed [illegible] by [illegible] com[illegible] and technology.

F[illegible] Europeans this model [illegible] provide [illegible] with a [illegible]ciency, [illegible] appearance of self-sufficiency, [illegible] sooner than they could otherwise [illegible] For the Americans, [illegible] could [illegible] crafty [illegible] retaining [illegible] discreet [illegible] over European operations while reducing [illegible] number [illegible] men and weapons that it deploys [illegible]

But it [illegible] doubtful [illegible] can be played [illegible]

By trying to [illegible] too clever, [illegible] Europeans could find them[illegible] losing out every way: as dependent as ever [illegible] nology and strategic military assets, but [illegible] vulnerable than [illegible] dangers posed by instability to their east and south.

For now, this transatlantic misunderstanding [illegible] defence may be nothing worse than [illegible] bad-tempered family quarrel, which [illegible] not [illegible] into [illegible]tion the family's [illegible] But the [illegible] be more [illegible] in [illegible] few [illegible]

US irritation with Europe could translate into mounting congressional pressure for a faster and more total disen[illegible] from the continent than currently planned; and that would leave Russia – despite its current upheavals – by far the strongest military power in the European security equation.

It may be argued that some development along roughly those lines – US disengagement from Europe, greater European vulnerability to Russia – is virtually certain to unfold anyway. Indeed, there are some voices in Europe, particularly on the German left, who would see nothing wrong with that turn of events, so long as there is a balance of economic and military dependence between the European Union and Russia, without one side putting unbearable pressure on the other.

But nobody would gain from a US disengagement from Europe so abrupt and ill-tempered that the Europeans did not even have time to consider how to respond: whether to develop real (as opposed to phoney) self-sufficiency, or simply learn to live with a large, unpredictable Russian neighbour.

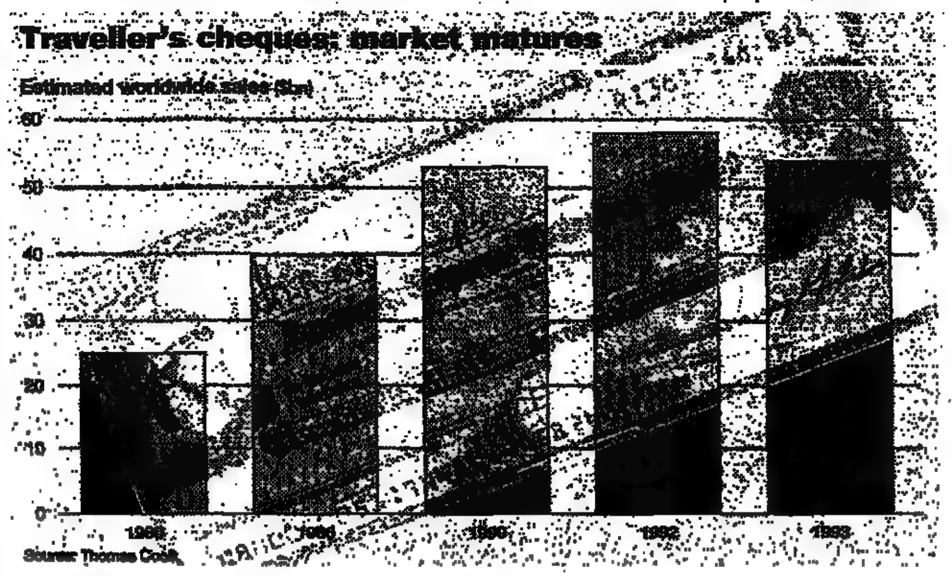
To avoid that danger, there is a need for some straight talking from both sides of the Atlantic, with neither pretending it can get something for nothing.

As a first step, both sides could acknowledge, more clearly than they currently do, the existing reality: the European members of Nato are a long way from possessing the capacity to fight even a miniature version of the Gulf conflict on their own. Even if they took a firm decision tomorrow to acquire that capacity as rapidly as possible, they would be hard pressed to do so before the end of the century.

So there is no magic formula to transport western Europe instantly to the happy state of real self-sufficiency in defence, and it is naive to imagine that the Americans will provide such a blueprint and seek nothing in return. On the other hand, unless the Europeans sit down and ask themselves what sort of military operations they could reasonably conduct and finance themselves, then US weariness of its European burden could reach breaking point. The [illegible] secretary-general of Nato will have to grasp these realities and bring a note of reason to the current transatlantic dialogue of the deaf before both sides walk off in a huff.

Cheques that may bounce back

Michael Skapinker says the travel finance business is heading for an unknown destination



People in the traveller's cheque business love telling stories of how their products get lost. One traveller had her cheques eaten by baboons in an east African safari park. Another stored hers in the oven of her Spanish holiday apartment. She cooked them.

Best of all was the Royal Marine who lost his Thomas Cook traveller's cheques while fighting in the Falklands war. Despite being taken prisoner, he managed to telephone Thomas Cook in New York. A clerk there demanded to know why he had not reported his loss to the police. But he got his refund.

The promise to return lost traveller's cheques has been central to the success of the business ever since it was started 103 years ago by American Express. After impressive growth until the beginning of the 1990s, however, traveller's cheque sales have begun to slow in the face of competition from plastic cards and cashpoint machines.

In response to the slowdown, the travel and financial services group Thomas Cook last week acquired Interpayment Services, Barclays Bank's traveller's cheque subsidiary, for an undisclosed consideration. Mr Graham Rider, Thomas Cook's managing director of financial services, says the way to improve profits in a sluggish market is through better distribution and more efficient processing.

The key to making money in this business, he says, is how much time elapses between a traveller buying a cheque and cashing it, allowing the issuer to invest the payment in the meantime. Some people hold [illegible] the [illegible] time. Thomas Cook this month cashed [illegible] traveller's cheques from the 1930s.

Mr Rider says this is not typical, however. Most cheques are [illegible] within 30 days, although US and Scandinavian travellers cash their cheques more quickly. If money is held for short periods, only the largest issuers can make the business pay, relying on their large volume of [illegible] to generate profits.

Acquiring the Barclays business raised Thomas Cook's share of the worldwide traveller's cheque market from 17 to 30 per cent. American Express is still the market leader with 44 per cent. Citicorp, the only other issuer of any size, has 12 per cent.

Barclays, which had been issuing traveller's cheques for 60 years, was losing money on the business, although it is not clear how much. Neither American Express nor Thomas Cook will disclose the profit performance of their traveller's cheque business. Mr Rider says, however, that the Thomas Cook business is profitable. He hopes to make money from the Barclays subsidiary once it has been integrated into the Thomas Cook network.

Neither of the two large issuers expect an easy return to growth over the next few [illegible] The problems facing them are easily formulated. [illegible] financially sop[illegible] generation [illegible] its hotel and restaurant bills and buys its gifts using plastic cards.

Mr [illegible] the banks which [illegible] cheques [illegible] not [illegible] so. Paper-based products are expensive [illegible] handle and [illegible] demand commission from Thomas Cook as well as from customers to do so.

The proliferation [illegible] cashpoint machines has led to a fall of sales in the US. In the past, a large proportion of the traveller's cheques sold in the US were for trips within the country. Sales in western Europe have been static over the past few years as recession dissuaded people from travelling.

The extent of the slowdown in international growth in the traveller's cheque market [illegible] difficult to evaluate because of an absence of authoritative figures. Thomas Cook puts worldwide 1993 sales at \$54bn; American Express says [illegible]

Thomas [illegible] it has constructed estimates of international sales from a variety of sources. It believes worldwide sales doubled in the 1980s, rising from \$25bn in 1980 to \$51.5bn in 1989. They rose further to \$58bn in 1992, before falling to \$54bn last year, Thomas Cook estimates. The company says it expects worldwide growth this year to be 2 per cent, although American Express says its own sales in the first six months of 1994 were up 5 per cent over the same period last year.

More cashpoint machines in the US have meant a fall in traveller's cheque sales

Nevertheless, the large issuers insist the business still has a future. Mr John Petersen, head of external affairs at American Express, says: "The traveller's cheque has been written off more times than most products, but it keeps bouncing back."

The advantages of the traveller's cheque are its familiarity, acceptability and security. The product has been around since before even the oldest travellers were born.

American Express set itself the task in 1891 of devising a substitute for letters of credit, which travellers found useless when they were a long way from a large bank. Marcellus Fleming Berry, a senior American Express employee, came up with the idea of a cheque which travellers would sign on purchase and then countersign when they cashed it. Having devised the traveller's cheque, American Express had to persuade banks, hotels, railway companies and shipping concerns around the world to accept it.

A key to acceptability was successfully persuading Thomas Cook to take the cheques at its 150 offices around the world. Thomas Cook began to develop its own cheques too, experimenting with several variations of the American Express product before accepting the merit of the signature and countersignature in 1928.

Champions of the traveller's cheque argue that it is still more widely accepted around the world than the alternatives. Some travellers still experience problems having their credit cards accepted outside their own countries. There is still no universal network of cashpoint machines which would enable travellers [illegible] be sure they could withdraw money wherever they are.

Above all, there is the issuers' guarantee that they will replace any cheques that are lost. Mr Petersen says American Express settled 50,000 refund claims in Europe last [illegible]

The traveller's cheque companies comfort themselves that demand [illegible] still growing in Latin America and Asia, where the number [illegible] travellers is increasing. In some countries, he says, people buy traveller's cheques in strong currencies to protect themselves against the depreciation of their domestic currency.

E[illegible] in [illegible] Europe holidaymakers still carry traveller's cheques, even if business [illegible] not, Mr Petersen says. He argues that holidaymakers use traveller's cheques as a way of controlling their spending. They regard their wad of traveller's cheques as their holiday budget. They can see how much they have spent and how many unused cheques they still have.

There are threats to the two large issuers but they are not an immediate worry. The first would be greater compatibility between cashpoint systems in different parts of the world, providing travellers with the confidence that they can count on drawing money anywhere. Mr Rider believes this is at least 10 years away.

A second possible threat is the possible development of a single European currency. While this would not reduce purchases by people travelling into or out of Europe, it would reduce demand from the many northern Europeans who take their holidays on the Mediterranean.

Neither large [illegible] cheque supplier expects to have [illegible] worry about this for [illegible] time. Both have tried selling Ecu [illegible] success. [illegible] travellers [illegible] them. [illegible] has [illegible] one use for Ecu [illegible]eller's [illegible] – Mr Petersen [illegible] a framed one on his office wall.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London [illegible] 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Questions raised by employment statistics

From Dr John Wells.

Sir, The failure of recent reductions in UK claimant unemployment to be matched by [illegible] remotely compatible changes in employment – thereby implying a [illegible] in labour [illegible] participation which [illegible] entirely unexpected during cyclical recovery – is now a grave source of disquiet.

Thus, UK claimant unemployment which peaked in December [illegible] fallen by 340,000. The [illegible] in employment (which, in addition to employees, includes the self-employed and those on training schemes) increased by just 49,000 comparing March 1993 with March 1994. During the most recent quarter for which data are available (December 1993 to March 1994), claimant unemployment fell by 52,000, while employment also fell by 73,000.

This development [illegible] quite [illegible] from the pattern [illegible] during previous cycli[illegible] recoveries, when [illegible] increase in employment [illegible] which [illegible] recovery eventually gave rise [illegible] dwarf the reduction in claimant unemployment, since jobs were partly filled by the non-registered unemployed (including new entrants.)

No doubt various explana[illegible] will [illegible] preferred [illegible] account for the apparent [illegible]tion in labour force participation. School and university enrolment has undoubtedly increased; the Employment Service may have improved its capacity to place people from the register into jobs [illegible] the unregistered unemployed; [illegible] being switched [illegible] appropriate [illegible] invalidity), etc.

However, there are so many unanswered parts [illegible] this jigsaw that nothing [illegible] than some form of special inquiry is required to provide a satisfactory explanation if public credibility in our official statistical services, already damaged by frequent revisions to the headline unemployment total, is to be preserved.

John Wells,
University of Cambridge,
Cambridge CB3 9DD

Road privatisation is best way forward

From Mr Axel Sinding.

Sir, I read with interest your recent report about motorway toll plans in Great [illegible] ("Tories [illegible] toll plans", August 13), because the questions [illegible] global relevance. Let me add [illegible] observations [illegible] long-term [illegible] we can observe them over the world.

First, [illegible] of road user charging (taxes plus tolls) will go on rising for decades to come, whatever we do, because all financial administrations are increasingly resorting to road user charges as an easy way to boost resources and help plug the yawning gap in public accounts. For instance, in 1992 total income from road traffic in the 18 most developed countries in Europe was approximately £150bn, whereas total road expenditure (construction, maintenance, operation) was about £50bn. Thus £100bn was diverted to other purposes: the rate of diversion has been continuously rising for the past 12 years.

Second, the only question open now is what proportion of the total charge may flow back to road users in terms of road improvement (network extension, causeway widening, elimination of safety black spots, environmental protection, high-tech services).

Third, the best way to make sure that road users' money goes back to road users is to privatise [illegible] operations, ie concede toll, [illegible] and main[illegible] management [illegible] autonomous, competing enterprises.

Fourth, this "privatisation", thanks to the generalisation of automatic tolling devices, can and probably must progressively apply to existing road and street facilities as well as to new ones. Thus the "traffic flight" issue – which by the way rarely goes beyond a 10-15 per cent shift of traffic, at most, during the first four or six months after commissioning a toll motorway – would disappear in due time.

Axel Sinding,
International Road Federation,
CH-1202 Geneva,
Switzerland

Inefficiency for all to see

[illegible] Mr Richard [illegible]mmons.

Sir, I [illegible] the [illegible] Office is planning to show full programmes to queueing customers ("Post Office queues to get piped TV shows", August 16).

[illegible] queue [illegible] classical method [illegible] by an inefficient monopoly [illegible] ration supply. Any other [illegible] would see a liability rather than a marketing asset. This is evidence to support depriving the Post Office of its monopolies, with or without privatisation.

Richard Simmons,
lower ground floor,
7 Palace Court,
London W2 4LP

Forecasters make mistakes by ignoring money supply

[illegible] Prof [illegible] Congdon.

Sir, I am [illegible] that [illegible] Norman ("Wise-eyed and [illegible]less", [illegible] should have thought that I "triggered an unseemly squabble" last year when I asked which member of the Treasury panel had produced the most accurate forecasts. Perhaps I am naive, but surely policymakers and others are interested in forecasts only if they are accurate, at least to some degree.

The most serious forecasting error in recent years occurred in early 1988, when the Treasury and other prominent forecasting groups said the economy was about to slow down. This set the scene for large tax cuts in the March 1988 Budget and for inappropriately low interest [illegible] through the spring and summer. The Treasury arrived at [illegible] and policy judgments despite extraordinarily rapid growth in the quantity of money. In early 1989, the Treasury and semi-official forecasting groups exonerated themselves from the disaster in 1988 on the grounds they had all been wrong and so no one was to blame.

In fact, it was not true that everyone had had the same equally wrong forecast. With my team at the broking firm where I worked, I produced a forecast which was largely right about 1988 and warned about the medium-term inflationary consequences of excessive monetary expansion.

Since 1988, my forecasts have on average been better than those of the other members of the Treasury panel, although they have not been the most accurate of the six in every [illegible] and I would make no claims to "accuracy" in some absolute sense. My better [illegible] a matter [illegible] fact, [illegible] numbers and commentary are all available.

But I am not interested in "forecasting prowess" for its own sake. Indeed, I would ditch the paraphernalia of econometric forecasting if my fellow panellists would accept my central point. This is that [illegible] behaviour [illegible] the money supply is fundamental to the determination of national income. Forecasting models without a role for the money supply are therefore likely to make serious mistakes, as they did in 1988 and also, much earlier, in the catastrophic Heath/Barber boom of 1972 and 1973.

I apologise if I am repetitive with these themes, but – if I am right – [illegible] vital implications for the conduct of economic policy. The key to good economic management is not to base decisions on computerised forecasting models, but to maintain a low and stable rate of monetary growth.

Pace Mr Norman, the Treasury panel is a good forum for [illegible] Happily, [illegible] Financial Times has [illegible] than one voice on the matter. In an article ("Monetarism reborn", January 13 1989), Martin Wolf criticised "the present conspiracy [illegible] my forecasting performance in [illegible] and commended [illegible] "moral courage" in "standing [illegible] the consensus".

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View from the Bundesbank

On Tuesday, the Federal Reserve decided to increase its short-term interest rates by half a percentage point. In a revealing response, the Bundesbank decided yesterday to do nothing. The performance of the German economy is likely to persuade the Bundesbank to continue to do nothing for some time ahead. This does not mean that a justification for lower German interest rates could not be found. It means rather that the Bundesbank would have to look quite hard for one, something it is not inclined to do.

One reason for doing little now is that so much has already been done. On Wednesday, interest rates on three-month, Euro-currency, D-Mark securities, at 4.875 per cent, were identical to those on comparable US dollar securities. Less than two years ago, however, that gap was as much as 6.6 percentage points in favour of the D-Mark.

The Bundesbank may well feel chary about acting to bring German short-term interest rates much below US levels, even though the German recovery is far weaker and at a much earlier stage than that of the US. One reason is that it tends to be more concerned about currency weakness than its US counterparts, a concern enhanced by the role of foreign investors in financing the public sector.

Still more important is domestic economic performance. Mr Günter Rexrodt, the German economics minister, recently said that economic growth could reach 2.5 per cent this year. This would be well above the 1.5 per cent he forecast for the German economy at the beginning of this year. Since that forecast was widely derided at the time, Mr Rexrodt must feel entitled to gloat, particularly since many German economists agree that growth could exceed 2 per cent this year.

Though not as outspokenly enthusiastic as Mr Rexrodt, the Bundesbank has noted in its latest monthly report that west German industrial production rose 3 per cent in the second quarter, while manufacturing capacity utilisation was at levels last seen in the autumn of 1992. What need is there for a further boost, the Bundesbank will ask itself, particularly when the effects of the past two years of monetary easing cannot yet have worked their way through the economy? Furthermore, while annual consumer price inflation has fallen below 3 per cent, for the first time for more than three years, this is hardly good enough for the Bundesbank, particularly when many of its European partners are doing better still.

All that can be said of the monetary data is that they are beginning to look less of a constraint. The gamble that lower short-term interest rates would shift bank deposits out of the more liquid ones, included in the Bundesbank's target M3, is paying off. Not only is the estimate for the annualised rate of M3 growth between the last quarter of last year and July 1994 9.9 per cent (down from 11.4 per cent in June), but its level has stagnated since April. Yet private sector borrowing is also growing apace. Nothing in these data demands early monetary easing.

The Bundesbank's natural conclusion is that this is a time for masterly inactivity. That is probably the right conclusion, too.

Plutonium parity

The FBI apparently believes that the smuggling of plutonium represents the greatest long-term threat to US security. It is hard to disagree. Plutonium is the basic building block of nuclear weapons, and the hardest part of a bomb for a would-be weapons state to produce in secret. It is also a highly toxic metal which, if inhaled in even the smallest quantity, causes cancer.

There are thus very good reasons to prevent the theft of plutonium stocks. Yet both superpowers are currently adding to the risks through their laudable nuclear weapons reduction treaties. Almost 20,000 nuclear warheads are being dismantled and their plutonium returned to store. In Russia, the problem is compounded by economic collapse. Poverty encourages smuggling – even the smuggling of plutonium.

Whatever the current level of trafficking, there is ample reason to act now before matters deteriorate further. The difficulty, however, is that all nuclear weapons states have been notoriously pre[redacted] their bomb programmes and determined to keep weapons stocks under full sover[redacted] control. [redacted] also [redacted] proud country, and does not take kindly to allegations of nuclear laxity, whether justified or not.

In assisting Russia to come to terms with the issue, there is [redacted] need for multilateral action which produces the highest standards of plutonium control worldwide, yet does not blame one country for failing to meet its obligations. Since both superpowers agreed to dismantle these warheads, they should both now be prepared to put the surplus plutonium into internationally controlled safe storage, where it can be properly monitored. It would be even better if they were prepared to allow the plutonium to be degraded with civil plutonium so that it would be hard to detonate, and remixed with highly radioactive fission products making it deadly for smugglers to handle.

Both Russia and the US should also offer a more open audit of their total plutonium stocks to make theft harder. If the US were to agree to equal oversight, it might ease Russian sensitivities. More should be done to keep redundant Russian nuclear scientists off the streets – a programme which would cost far less than the $2bn reactor recently promised to North Korea.

Washington may balk at such suggestions, arguing that it is not to blame for the current leaks. Yet what better example could it offer to those non-weapons states going to next year's conference on the nuclear Non-Proliferation Treaty? Weapons states often choose to forget that in the original NPT they agreed to work towards nuclear disarmament. International action to secure and reduce plutonium stocks now would show that they are finally taking those responsibilities seriously.

Mexico's poll

The elections in Mexico this Sunday could prove a watershed on its journey towards democracy. They certainly need to be. Fortunately, the Mexican government has put in place conditions that should allow the presidential, congressional and gubernatorial elections to be the fairest in the country's history. This is faint praise. Yet if the new electoral rules are followed, the chances of a reasonably fair election are high. The next government's international credibility hangs on that achievement; so does its ability effectively to govern the country.

It took a severe political crisis – the peasant uprising in the southern state of Chiapas and the assassination of the ruling party's first presidential candidate, Luis Donaldo Colosio – for President Carlos Salinas to agree to the electoral reforms. But reluctant reform is better than the alternative of repression. Mr Salinas chose wisely.

The rules for the election day include, for the first time, an independent electoral commission. Scrutiny of the election will be unprecedented: thousands of domestic and international observers will be in place, as will a more independent press. Credible measures have also been taken to ensure a secret ballot, and to prevent double voting and ballot stuffing – though, particularly in the countryside, ruling party chiefs still wield considerable power. [redacted] remains to be seen whether the rural vote will be free and fair.

The rapid publication of several quick counts by independent agencies and the release of an official preliminary count after 15 per cent of the votes has been counted should sharply reduce the possibilities for systematic fraud. For all that, the playing field has not been levelled completely between the Institutional Revolutionary Party (PRI) and the opposition.

The most egregious inequality is in campaign finances. The limit on spending by any one party on the presidential election is $40m. Even that is a lot of money for the opposition, but the limit on spending for the presidential and congressional elections *together* is $275m. There is also evidence that businessmen are contributing to the campaign without the finance going through the PRI's balance sheet.

Nor has election coverage of the campaign by the press and television been impartial. Certainly, the media have been more even-handed than in the past, but they had a lot of ground to make up. The PRI still gets more and better publicity than its opponents.

These flaws should not fatally undermine the credibility of the election, provided everyone plays by the rules on Sunday. Sham elections in the past have inevitably created huge cynicism about the electoral process; another dose of cynicism is the last thing Mexico needs at this time.

Robert Corzine and John Lloyd on the problems western companies face in exploiting Russia's vast fuel reserves

When oil and politics don't mix

M[redacted] swings are becoming occupational hazards among western oil industry execu[redacted] in Moscow.

All too often this year optimistic announcements of progress in assembling multi-billion-dollar deals to exploit Russia's oil reserves have been followed by bouts of anxiety as executives await the outcome of the latest twist in the political power struggle for control of Russia's oil, the country's economic lifeline.

Last month, after three years of negotiation, a final draft of a long-awaited oil and gas law was shelved when President Boris Yeltsin and Prime Minister Victor Chernomyrdin rejected key proposals by parliament on ownership and creating a legal framework for foreign investment. The government has also in the past few months delayed two other important reforms: the lifting of oil export quotas and the granting of preferential tax treatment to foreign joint ventures.

Passage of the oil and gas bill, however, is seen by international oil companies as the key to unlocking some of the biggest western-backed projects proposed so far. These include a $10bn deal announced in June by a consortium led by Marathon, the US oil group, to develop oil and gas reserves off the Pacific island of Sakhalin, and a project headed by Texaco, one of the biggest US oil companies, to extract as much as 2bn barrels of oil from an area of the Russian Arctic.

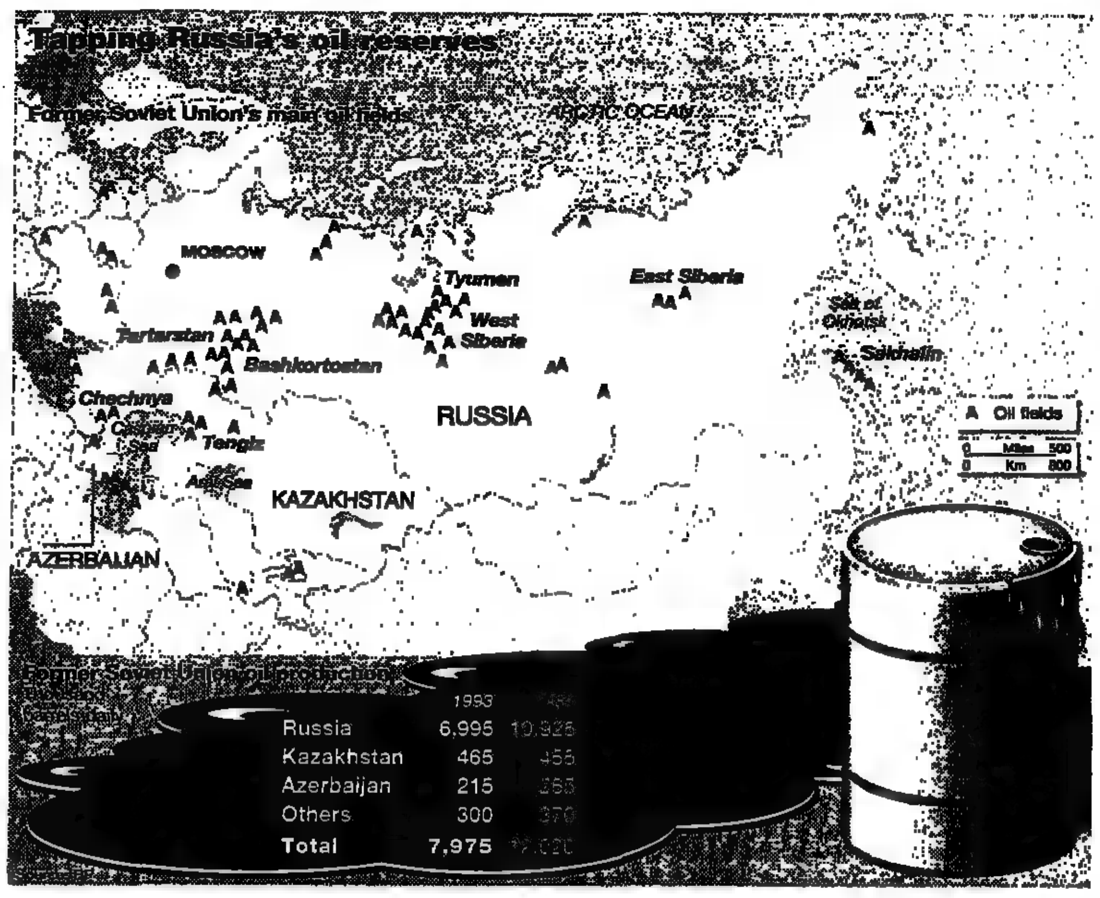
Publicly, both groups are still optimistic that the projects will eventually go ahead. But "you no longer find the gung-ho enthusiasm of a couple years ago", according to Mr Daniel Yergin, author of the book *Russia to 2010* and president of the consultancy Cambridge Energy Research Associates in Boston.

Mr Yergin believes that *not* being in Russia is the biggest risk for many big international oil companies – because the country has almost 5 per cent of the world's proven oil reserves and many attractive exploration opportunities. But he says those companies which have taken the plunge find themselves in the midst of "an incredible struggle over who will control the biggest prize: Russia's oil". All of the west's biggest oil companies have considered doing business in Russia, although few have projects up and running.

The struggle to gain a foothold comes at a time when the Russian oil industry is in the midst of a radical restructuring. Output has halved since 1988, when it peaked at 12.6m barrels a day. Recent figures from Rosneft, the state oil holding company, show the trend continuing, with output in the first five months of this year down 15 per cent on the same period in 1993.

Signs of the collapse in production are evident in the country's main oil regions. At the petroleum processing plant in Fyodorovskoye, near Surgut in the heart of the Tyumen oil region, western Siberia, the machinery is processing a fifth of its output of eight years ago.

But reduced production has not eased problems of pollution. A few kilometres down a bad road, pools of crude oil surround many wells – graphic evidence of poor practices in much of the industry.



The names on the equipment at both the processing plant and at the wells are often French, German or American, a legacy of the heady days in the 1970s and 1980s when investment and foreign technology were funded by high-priced oil exports. But now world oil prices are relatively low and government finance for investment has dried up, making it harder to replace worn-out machinery. "Each year we lose [the use of] about 2,000 wells," says Mr Victor Deshura, chief engineer of Surgutneftegas, the area's main producer. "And we don't replace most of them."

A report by the European Commission's energy centre in Tyumen says the sector's financial problems have been exacerbated by low domestic oil prices set by the Russian government, and delays in payments from refineries to producers. "The present situation is such that the [redacted] [former] number one producer [redacted] crude oil cannot draw the resources in currency from its oil production which would contribute to an overall improvement in the economy."

Many Russian producers are also deep in debt and all are creditors of companies [redacted] countries (former Soviet republics) which cannot pay them. Russian oil exports, however, have been maintained [redacted] redirect[redacted] surplus resulting from last year's 19 per cent collapse in domestic demand – an unprecedented contraction in peacetime. A sharp reduction in sales to former Soviet republics which lack the hard currency for Russian oil has also freed supplies for exports to the [redacted]

But although exports have [redacted] maintained at previous levels, [redacted] revenues raised have not been sufficient to offset the income lost from domestic sales. Moreover, in spite of being Russia's largest source of hard [redacted] the country's oil producers [redacted] cannot pay [redacted] or fund [redacted] services in the oil regions.

As if the financial problems were not enough, the industry is also at [redacted] centre of political battles between the weakened central government in Moscow and regional [redacted]

Those Russian republics [redacted] radical in their declarations of autonomy – even of independence – are the oil-producing [redacted] Chechnya, Tatarstan and Bashkorostan. Tyumen and the other oil [redacted] have less political [redacted] than the republics. Nonetheless they, too, are lobbying hard for the right to retain more of the hard currency earned by oil exports. At present the government, which still controls the transportation of all Russian oil, pays producers just a third of [redacted] prices.

The problems [redacted] industry have not deterred western companies from trying to carve out niches for themselves. But, in most cases, their plans have been [redacted] by uncertainties, especially over political, legal and [redacted] issues.

None has been affected more than Elf Aquitaine, the French company. Its project in the Volgograd and Saratov regions has been stalled for three years by protracted [redacted]tions with politicians; rivalries between local, regional and federal governments which are vying for control over the area's resources; and, [redacted] the federal level, by differ[redacted] between the legislature, the government and the presidency.

Big companies have [redacted] encountered strong resistance from government and oil company [redacted] who [redacted] foreign involvement in such a strategic industry. Mr Yergin notes [redacted] "oil [redacted] different from, [redacted] telecoms . . . it fuels nationalist pas[redacted]

The desire to avoid such conflicts [redacted] to bypass chronic bottlenecks [redacted] Russian export [redacted] was [redacted] important reason for a string of [redacted] earlier this year [redacted] virgin [redacted] on [redacted] periphery. The [redacted] was simple: [redacted] companies would undertake large, technically-demanding and capital-intensive projects which no Russian company could contemplate. The projects [redacted] be self-contained, with their [redacted] export terminals, and, in the case of the [redacted] project, would [redacted] with[redacted] Russian partner.

In return for boosting Russian production and government revenues, the companies hoped they would be [redacted] alone. But the backers of [redacted] projects still await [redacted] and [redacted] law [redacted] significant investment.

Optimists [redacted] oil community [redacted] the law [redacted] be [redacted] by the end [redacted]. But others [redacted] it "could as easily be 12 months after that".

Western [redacted] companies may [redacted] able to take some [redacted] from the opportunities for foreigners opened up by the radical restructuring taking place in Russian oil companies, in spite of the political stalemate over a legislative framework. A number of production associations and refiners, which were previously kept apart by competing ministries, have merged to form three new companies comparable in size with some of the medium-sized western majors. Other similarly integrated companies are *likely to follow*.

Their [redacted] towards foreign involvement and co-operation varies. [redacted] of [redacted] new companies, Surgutneftegaz, based in western Siberia, is most hostile. Lukoil, on the other hand, is expanding its foreign links. Investment bank CS First Boston has a 3 per cent stake in the company, and up to 10 per cent of Lukoil's shares are expected to be offered to international investors. It has also forged an alliance with Agip, the Italian oil company, to explore for oil outside Russia.

It was the chance to gain control of large new [redacted] which attracted many western oil companies to Russia, however. Most of those active in the country are likely to remain, given the scale of the eventual prize. But until at least the oil and gas bill is passed, they will have to make do with offers of "closer co-operation" or the chance to be a preferred foreign partner.

Moscow still holds strings

The authorities in Moscow may be struggling to exert control over Russia's oil industry. But they seem to be doing better at influencing events in the energy-rich former Soviet republics bordering the Caspian Sea.

Two years ago western oilmen began [redacted]fering "sweeteners" to officials in Azerbaijan and Kazakhstan to allow western companies into the oil industry. The thinking at the time of the break-up of the Soviet Union, according to one western oil consultant in Alma-Ata, capital of Kazakhstan, was that because [redacted] region was just opening up, western companies "could define the rules".

It now appears that Moscow – not the other republics' governments – will make the rules governing the development of the region's vast energy reserves.

Over the past year, Russia has stressed it not only wants to retain control of the region's main export pipelines, which pass over Russian soil. It also wants a say in the development of big oil and gas fields discovered during the Soviet era in the region. Some observers believe its goal is to re-exert control over the energy resources of the former Soviet Union.

The clearest expression of this intention was in a letter sent this year by the Russian foreign ministry to the British embassy in Moscow. It said that, because there had been no allocation of rights to resources under the Caspian Sea, "all issues of activities, including resource development, have to be resolved with the participation of all Caspian countries". That included Russia.

Russian attempts to control the region's oil development began with a demand that Lukoil, one of Russia's new integrated oil companies, should be given a 10 per cent share in the British Petroleum-led project to develop the Azeri and Chirag fields in Azerbaijan. Western oil executives in Alma-Ata report that Moscow also wants equity stakes in Kazakh projects, including the proposed multi-billion-pound development of the Karachaganak gas fields by British Gas and Agip of Italy.

Many western companies [redacted] that Russian demands to take part in the projects have not come as a surprise. As one senior executive involved in the Azeri deal says: "We always knew Russians would have to be involved, as we need them to get the oil out."

Mr Thane Gustaffson, who monitors the former Soviet Union for the consultancy Cambridge Energy Research Associates, believes Russia's demands are not "sinister". Instead, they are a sign that the old relationships which governed the integrated structure of the former Soviet oil industry are beginning to reassert themselves.

But western oil companies wonder how far Russia's demands will go. One executive notes that the [redacted] holding up development on oil fields in the region "is not between the oil companies and the countries [of the Caspian]. It is between Russia and the southern republics and their status as truly independent states".

The fear of western companies is that Russia's attempts to exert its political authority will jeopardise the deals they have struck with the individual republics. "The [redacted] then is whether Russia will still want foreigners involved. They may simply [redacted] still want your money and technology', [redacted] they may want that kind of deal torn up as well," one western oil [redacted] executive says.

For now, such fears seem exaggerated. BP recently expressed confidence that the negotiations over the Azerbaijan deal will soon be completed satisfactorily. But for western oil companies, making inroads in the region is proving as difficult as in Russia.

Report by Robert Corzine, Steve LeVine and John Lloyd

OBSERVER

Teflon Tim's table talk

■ The rumpus over J Paul Getty II's reasons for wanting to save Canova's Three Graces for Britain seems to be petering out. Unlike the brouhaha over Timothy Clifford, the director of the National Galleries of Scotland, whose slip of the tongue nearly cost £1m.

Clifford seems to have a knack of upsetting wealthy sponsors. Earlier this year Air UK cut short a sponsorship deal with the Scottish National Galleries after Clifford had rearranged the seating plan at a special dinner in the gallery's Impressionist Room.

The airline had wanted husbands and wives to sit next to each other. Clifford was horrified. Such a table plan was all very well for a "mayoral dinner or a Co-Op bean feast", he claimed, but not for his gallery. Air UK over-ruled the bossy man and thereupon cancelled its free flights around Europe for Clifford and his chums.

But on that occasion Clifford seems to have been in the right. Mary Killen, the Spectator's agony aunt, says it is "very down market" to have husbands sitting next to their wives, the whole point of social life being to meet new people.

The only possible reason for placing couples together is anxiety that some guests are having affairs. Indeed, Clifford's proposed seating arrangements would have helped make the occasion a success by breaking the ice and getting people talking, says Killen. Sadly, no one knew about the tiff until after dinner.

Cold comfort

■ An American woman has won $2.9m damages because her McDonald's coffee was hot. She had put the cup between her legs – to remove the cap – but it spilt and she suffered serious burns. The jury said it wanted not just to award appropriate damages, but also to deliver a message to the fast food industry. Said the foreman: "The coffee's too hot out there…"

APR OTT

■ Oh no, not the APR malarkey yet again. For those in ignorance – and according to a 1993 Office of Fair Trading survey, half of us are in that joyful state – APR stands for annual percentage rate, supposedly a useful benchmark for assessing the cost of borrowing.

There are benchmarks, and then there are medieval banqueting tables fit for Henry VIII. One FT reader is astonished to learn that Lloyds Bank calculates an APR of 178.1 per cent for agreed overdrafts and one of 313.8 per cent for unauthorised overdrafts on the bank's gold service payment card.

Lloyds explains that APRs for this type of card have been calculated on the assumption of a customer being £100 overdrawn, for a full year, paying no principal or interest, and incurring the monthly £8 charge. The reader has written back to his Lloyds branch inquiring about rates on deposits . . .

'Just my luck to copy off someone who failed'

Auto-da famous

■ Elias Canetti, the Bulgarian-born philosopher, novelist, critic and Nobel prize winner, who was buried yesterday in Zur[redacted] aged 89, recalled in 1973 the troubled publication of his major work, the novel *Auto-da-Fé*, published in 1935.

When completed, Canetti sent "the three heavy tomes in an enormous package to Thomas Mann . . . It is hard to believe, but I was of the opinion that my sending the book was an honour to him". But within three days the tomes returned, unread. Mann "apologised, saying he didn't have the strength".

For four years the manuscript languished, unable to find a publisher. When it finally appeared, said Canetti, "Thomas Mann now read the book immediately. He wrote that of all the books of that year, this novel . . . occupied him the most." Of course, four years is an *awful* long time in the high-minded world of letters.

Perssonal view

■ Sweden's Social Democratic Party is riding high in the opinion polls, ahead of next month's general election. Pity it's running scared of the financial markets.

The SD is procrastinating on its election manifesto, leaving publication until after the markets close for the weekend. Can its leadership be worried about the effect the manifesto might have on the already flaccid Swedish krona?

Creator of Sweden's gigantic welfare state, the party has been rumbling about tax increases if it returns to power. Pure chance that such noises have coincided with a slump in the krona and [redacted] surge in long-term interest rates, to their highest levels since the currency was floated in November 1992.

The manifesto sounds pretty dull anyway. Göran Persson, shadow finance minister, said on Tuesday it would not detail public spending cuts. "Persson sinks the krona," shouted Wednesday's local business press headlines.

Not that the krona's nose-dive following Persson's words garnered many votes for conservative prime minister Carl Bildt. Sweden's tabloids preferred a thwarted armed break-in at the house of Curt Nicolin, formerly a senior aide of the Wallenberg family.

Perhaps the manifesto will hint at big increases in spending on the police force – and free lunches for tabloid editors?

Passing the buck

■ An American, a Canadian and a Scot are killed in a car crash. On arriving at the pearly gates, they are greeted by [redacted] flustered St Peter. He hasn't got a spare place for the time being, but is prepared to do a deal. "Give me $500 apiece, and I'll return you to earth and we'll just forget the accident ever happened," offers St Peter.

"Done," says the American. Quick as a flash he's standing unhurt at the scene of the accident talking to a passer-by who asks after his friends. "Well," says the American, "the last thing I remember was the Scot haggling about the price and the Canadian arguing that his government should pay."

FINANCIAL TIMES
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Commerce chief optimistic on trade in spite of widening deficit with Canada

Washington hails Nafta as success

By Nancy Dunne in Washington and Philip Gawith in London

Mr Ron Brown, the US commerce secretary, yesterday pointed to strong export growth in North America in its first six months as a free trade area as evidence that the North American Free Trade Agreement was "living up to its promise".

However, his claims did not appear to be borne out by the statistics, [redacted] showed that the [redacted] trade deficit with Canada was growing [redacted] its surplus [redacted] shrinking.

The [redacted] on [redacted] in goods and [redacted] 1.6 per cent to $9.37bn from a revised [redacted] as growth in exports outstripped rising imports. However, Commerce Department officials estimated [redacted] US was on [redacted] for its second highest deficit [redacted] on goods trade this [redacted]

The [redacted] 26 per [redacted] in June, from [redacted] in [redacted], and brought [redacted] renewed demand from Mr Brown for corrective [redacted]

"[redacted] deficit [redacted] unacceptable. [redacted] Japanese markets have to be opened," he said.

Unless an accord is reached by September 30 for loosening Japanese restrictions on buying medical and telecommunications equipment, the US [redacted] vowed to enforce [redacted] Mr Brown's [redacted] inves[redacted] to sell [redacted] pushing the US currency to a London [redacted] Y99.025, [redacted] first [redacted] below [redacted] 1. The [redacted] also [redacted] the Bundes[redacted] council's [redacted] to lower German [redacted] rates, which resulted in generalised [redacted] strength.

However, [redacted] tary [redacted] surplus with [redacted] expanding, [redacted] a [redacted] last [redacted]

[redacted] on the [redacted] six months, [redacted] department predicted [redacted] US surplus [redacted] exceed $2.1bn; greater than the [redacted] surplus in [redacted]

There [redacted] however, [redacted] news on exports. While foreign sales to the rest of the world grew by 5 per cent in the six months to June, to a record $58.2bn, US exports to North America grew even faster, accounting for 52 per cent of overall export growth.

US exports to Canada rose by 10 per cent to $55.6bn and exports to Mexico shot up 17 per cent to $24.5bn.

Mr Brown cited the improvement in North American exports as a reason for Congress "to take positive action" on implementing legislation for the Uruguay Round agreement. That legislation is still bogged down in a House-Senate conference, despite an agreement made last week.

Foreign investors invited to Albanian state utility sale

By David Lascelles in Tirana

Albania, [redacted] former hardline [redacted] country, will begin privatising its main [redacted] utilities this autumn [redacted] participation [redacted] foreign investors, the country's president, Dr Sali Berisha, [redacted] yesterday.

Dr [redacted] suggested [redacted] sell-offs [redacted] include [redacted] water, hydroelectric [redacted] generation, [redacted] distribution and [redacted] services. [redacted] was studying [redacted] privatisation experience [redacted] tries – particularly the UK – [redacted] decide [redacted] of handling [redacted] sale.

The main [redacted] Dr [redacted] said, was [redacted] maximise proceeds [redacted] but [redacted] achieve [redacted] speediest shift of ownership [redacted] private [redacted] tor. Albania has no stock exchange but [redacted] president said he was keen to set one up as soon as possible.

His [redacted] government, which came to power in the 1992 elections a year after the overthrow of communism, is pursuing wide-ranging [redacted] to [redacted] a [redacted] economy. [redacted] liberalising [redacted] ownership [redacted] natural [redacted]

Although Albania [redacted] tionally [redacted] in foreign ownership of [redacted] assets, Dr [redacted] "The psychology [redacted] the people [redacted] changed", [redacted] foreign investment [redacted] now strongly welcomed, particularly in [redacted] which [redacted] export capability.

Methods being [redacted] for privatisation [redacted] auctions, [redacted] shares [redacted] private investors [redacted] operating [redacted]

Dr [redacted] foreign investors would be encouraged to take part in the privatisation because Albania needed outside technology and capital. They would be treated on an equal footing with Albanian in[redacted]

He was speaking [redacted] signed one [redacted] important foreign [redacted] Oilfields, [redacted] independent UK [redacted] Under [redacted] agreement, which [redacted] work [redacted] Albpetrol, [redacted] oil company, [redacted] develop Albania's southern [redacted] region, which [redacted] one of Europe's largest [redacted] fields [redacted]

The initial [redacted] by Pre[redacted] will [redacted] but [redacted] could [redacted] high [redacted] depending [redacted] prospects.

The work will be carried [redacted] by [redacted] joint company, Anglo-Albanian [redacted]

Plutonium smuggling

Continued from Page 1

tent denials from Russian officials that any of their weapons-grade plutonium has gone missing. The three men are all Kaliningrad residents.

In Brussels, the European Union's atomic energy authority, Euratom, said tests had confirmed that plutonium seized in Germany over the past four [redacted] definitely [redacted] manufactured in [redacted] "The competent bodies are carrying out a detailed investigation into the case," a Russian foreign ministry spokesman said.

Mr Schmidbauer and a team of nuclear experts will arrive in Moscow tomorrow for a two-day visit to discuss the plutonium finds with the Russian authorities.

The Munich find last week is understood to have been part of a used fuel rod from a nuclear power station or reactor.

Used fuel rods can contain plutonium 239 used in weapons but extracting it requires reprocessing. Even then, the amount of weapons grade plutonium would depend on the amount of time the fuel rod had been in use – the longer the use, the less usable plutonium would be available.

China and US-led consortium in $888m deal to build coal pipeline

By Tony Walker in [redacted]

China yesterday signed an [redacted] agreement [redacted] US-led consor[redacted] to [redacted] is billed as [redacted] world's longest [redacted] slurry pipeline, due to be completed by 1997.

The agreement between Pittsburgh-based Custom Coals and China's ministry of coal industry provides for 51 per cent foreign ownership and is the "first infrastructure project of its kind in China to have western [redacted] management control", according to the [redacted] partner.

Mr [redacted] Horton, president of Custom Coals, said [redacted] 500-mile pipeline – from Shanxi province in north-west China [redacted] the [redacted] province [redacted] Shandong – [redacted] open [redacted] way for many such projects [redacted] world's [redacted] coal producer.

China's transport system is greatly overstretched, with coal shipment representing [redacted] per cent [redacted] country's [redacted] traffic. A coal slurry pipeline will provide a [redacted]

The Yu-Wei project will include [redacted] and operation of a coal cleaning plant, pipeline and port facilities. Custom Coals will [redacted] supply coal-cleaning technology, [redacted] it [redacted] will greatly [redacted] China's coal-burning costs.

"The potential environmental benefits [redacted] this project [redacted] China are enormous," Mr Horton said. "China [redacted] world's largest coal user, burning approximately 1.2bn [redacted] in [redacted] – one-third of the world's total hard coal consumption.

"If, based on the demonstrated economics of this project, China begins burning clean coal on a widespread basis, it would provide the single largest benefit to the earth's environment of any environmental policy [redacted] initiative."

The pipeline will have an annual capacity of 15m tonnes, [redacted] which around 5m [redacted] will go [redacted] A [redacted] 8m tonnes [redacted] year are likely [redacted] be [redacted] purchasers in Japan, [redacted] Korea and Taiwan [redacted] long-term contracts, Mr Horton said. [redacted] will go [redacted] spot market.

China Pipeline Holdings, the US-led [redacted] will have developmental and operational control of the project, also includes Australian-based MRI, owned by [redacted] Peter Oei, [redacted] Hong Kong [redacted]

[redacted] consortium will [redacted] equity partners in [redacted] international market [redacted] Goldman [redacted] (Asia) will help raise finance. Financing [redacted] expected [redacted] include government-backed loans [redacted] suppliers' credits, although [redacted] of [redacted] to equity has not been [redacted]

Equity participants could expect a 20 per cent return on their investment, said Mr Horton. Ownership of the project will pass to the [redacted] government after 50 years.

Refugees

Continued from Page 1

said. The hundreds of Cuban refugees arriving in boats, on makeshift rafts and clinging to rubber rings drifting towards Florida's shores daily are stirring memories of the 1980 Mariel episode, which saw 125,000 refugees flee to America following an announcement from Mr Castro that Cubans were free to go.

The Clinton administration is bound by the Cuban Adjustment Act of 1966, which grants refugee status to any Cuban who reaches the US.

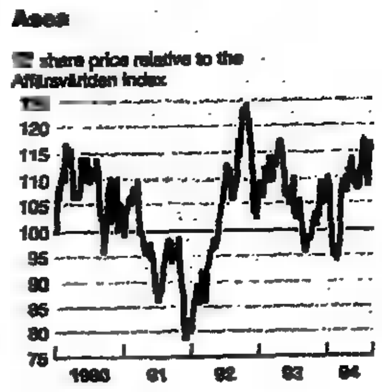
Although the US sets aside [redacted] visas annually for legal Cuban immigrants, perceived dangers of formal application in Havana mean that there is a stronger incentive simply to set sail for Florida.

THE LEX COLUMN

VW back on the road

Having forecast break-even in 1993, only [redacted] Volks[redacted] understandably [redacted] about [redacted] predictions this year. Yesterday's first-half figures suggest it will cruise past the official break-even target after recording a net profit of DM133m (£55m) in the second quarter. Although its important German and Italian markets are still sluggish, the efforts of Messrs Piëch and Lopez to cut VW's costs are coming through strongly. The group's domestic workforce was cut by 9 per cent last year and it aims to save over £1bn this year by introducing a four-day working week.

FT-SE Index: 3190.3 (+43.0)



Source: Datastream

The pain was rewarded by a mere 2.7 per cent increase in operating expenses in the first half against a 6.4 per cent increase in turnover. Deliveries were only slightly higher at 7.8 per cent, indicating that pressure on prices may be easing. VW did not break out the loss from Seat in Spain but the marque's deliveries jumped 23 per cent and, following the recent award of Pt[redacted] in state subsidies, it would be no surprise if the annual loss came in well [redacted] market has been led to expect.

Although July's German car figures were poor, VW is getting [redacted] help from [redacted] model launches coming [redacted] be able to maintain good [redacted] growth through next year. It is also going against the industry trend by taking contracted out activities back in house. Nevertheless, it is hard to see it generating enough work for many of its 30,000 surplus staff in Germany and it may find it more difficult to sell further job [redacted] improve.

Retail sales

The July retail sales figures help to explain why food retailing shares have outperformed the stock market by almost 20 per cent over the past six months. Food retailers' volumes in July were up 6.9 per cent on the same month last year, the strongest growth for more than a decade. Despite, or perhaps because of, all the price war headlines, sales by value were up 7.8 per cent. Admittedly, the sweltering weather probably helped in July, boosting sales of added-value salads at the expense of baked beans. But the trend in food sales goes back longer, as the good figures for the past three months show.

Quite why the food retailers are gaining more than their fair share of shoppers' spending is less obvious. It may be, as Argos argued [redacted] week, that the impact [redacted] April's tax increases has made [redacted] more cautious when it comes to spending on durables, although they still have plenty of money for food and [redacted] discretionary purchases. Alternatively, it may reflect the efforts of the big supermarket chains to sharpen up pricing, promotion, merchandising and service.

In addition to strong sales growth, the superstores are regaining some gross margin, defying pessimists who predicted [redacted] spiral [redacted] prompting analysts [redacted] upgrade their forecasts. The discounters are not yet causing the damage many had predicted and there are increasing signs that market leaders are fighting back effectively. It is no coincidence that shares in Kwik Save have been largely left behind in the sector's rally.

BASF

The recovery at BASF is even better than yesterday's 41 per cent increase in half year pre-tax profits suggests. The result includes DM1.4bn of rationalisation and other expenses, twice the amount charged in the first half of last year. Sales increases of 14 per cent in chemicals and 12 per cent in plastics give a better flavour of the extent of the upswing. While selling prices are little changed from this time last year, the group is rightly confident that increases can be made to stick before the year end.

With profits rising [redacted] capital expenditure falling – as its DM4bn [redacted] in the [redacted] gas pipeline comes to an end – BASF is starting to enjoy formidable cash flow. The balance s[redacted] will also be strengthened if bondholders exercise their options to buy shares later this year. The [redacted]uestion is how management intends to use this financial freedom. BASF's drugs business certainly [redacted] small to flourish alone. Vague talk yesterday of expanding pharmaceuticals in the US, UK and France is the sort of thing that fuels bid speculation in the sector.

Yet it is not clear that BASF adds much value in pharmaceuticals. Its strengths lie in technology-based heavy industry such as bulk chemicals rather than pure science or [redacted] BASF [redacted] its weighted average [redacted] of capital [redacted] around [redacted] cent, perhaps three or four percentage points lower than ICI's. By concentrating [redacted] on capital-intensive industries, BASF could make the [redacted] competitive [redacted]

British Coal

British Coal has accumulated a host [redacted] non-core [redacted] during its half-century [redacted] ownership. [redacted] with the company's privatisation imminent, [redacted] non-core [redacted] coming [redacted] own. [redacted] question how [redacted] was [redacted] the old British [redacted] to branch [redacted] into areas [redacted] puter [redacted] and fund management. [redacted] are now fairly attractive businesses, whose sale [redacted] the modest sums the government [redacted] expect [redacted] receive [redacted] selling [redacted] mines. Collectively, the non-mining businesses have [redacted] of £700m and made operating profits of £40m last year.

Coal Products, which went on the block yesterday, is the largest non-core business so far to come up for sale. Its leading position in smokeless fuels may appeal among others to Anglo United, which owns the rival Coalite brand. The other large businesses due for sale are CIN Management, whose £17bn of assets under mangement could be attractive to many fund managers, and British Fuels, the solid fuel distributor.

But the British Coal asset with the greatest potential is its vast property portfolio. Its 150,000 acres cover everything from agricultural land to sports fields, former colliery buildings and city-centre office blocks. If it can overcome the perception that it is selling disused pits and ugly open-cast collieries, the property arm could turn out to be the real gold mine.

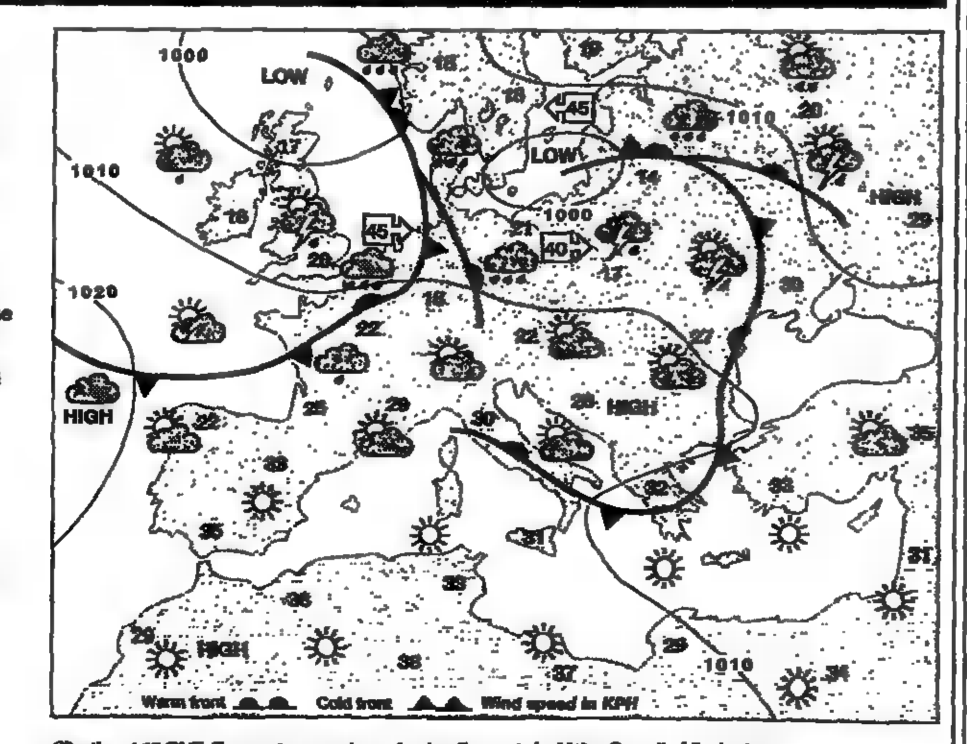
FT WEATHER GUIDE

Europe today

[redacted] series of depressions will continue to sweep into Europe. An active low over the Baltic will cause rain and wind over a broad area. Rain will be particularly heavy over southern [redacted] of Sweden and Norway as [redacted] Poland. The rest [redacted] Scandinavia will have sunny periods as a result of high pressure over Finland. A band of rain will move through the British Isles and the Low Countries followed by numerous showers. Westerly winds will increase again to become strong breezes. Some of the showers could be squally and thundery. [redacted] south, [redacted] will improve. Northern France will have some rain, but central and southern areas will be dry with sunny periods. Spain, Italy and Greece will remain sunny and very [redacted]

Five-day forecast

Western Europe will turn drier as high pressure builds over the Low Countries and France. [redacted] warming trend will lead to tropical conditions by the weekend [redacted] France and southern Germany. Northern and eastern Europe will be cool and quite unsettled. Southern Europe will remain sunny and hot.



TODAY'S TEMPERATURES

Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

	Maximum		Beijing	sun	32	Caracas	cloudy	28	Faro	sun	29	Madrid	sun	34	Rangoon	cloudy	32
	Celsius		Belfast	shower	18	Cardiff	fair	18	Frankfurt	shower	21	Majorca	sun	31	Reykjavik	fair	14
Abu Dhabi	sun	41	Belgrade	sun	25	Casablanca	fair	28	Geneva	fair	25	Malta	sun	32	Rio	fair	21
Accra	cloudy	26	Berlin	fair	21	Chicago	cloudy	30	Gibraltar	sun	29	Manchester	shower	18	Rome	sun	31
Algiers	sun	31	Bermuda	fair	30	Cologne	shower	20	Glasgow	rain	18	Manila	cloudy	33	S. Frsco	sun	23
Amsterdam	shower	18	Bogota	fair	18	Dakar	shower	31	Hamburg	[redacted]ower	20	Melbourne	fair	15	Seoul	fair	30
Athens	sun	32	Bombay	cloudy	31	Dallas	fair	38	Helsinki	sun	18	Mexico City	fair	23	Singapore	fair	31
Atlanta	sun	32	Brussels	shower	20	Delhi	sun	31	Hong Kong	fair	28	Miami	sun	32	Stockholm	fair	18
B. Aires	sun	17	Budapest	fair	23	Dubai	sun	41	Honolulu	fair	32	Milan	sun	30	Strasbourg	cloudy	23
B.ham	shower	19	C.hagen	rain	19	Dublin	shower	19	Istanbul	fair	28	Montreal	cloudy	24	Sydney	fair	17
Bangkok	shower	33	Cairo	sun	34	Dubrovnik	sun	31	Jakarta	cloudy	32	Moscow	fair	17	Tangier	fair	32
Barcelona	sun	28	Cape Town	fair	18	Edinburgh	shower	19	Jersey	rain	18	Munich	cloudy	22	Tel Aviv	sun	33
									Karachi	fair	34	Nairobi	cloudy	26	Tokyo	sun	32
									Kuwait	sun	46	Naples	sun	31	Toronto	cloudy	26
									L. Angeles	sun	31	Nassau	fair	33	Vancouver	fair	20
									Las Palmas	fair	28	New York	shower	29	Venice	sun	27
									Lima	cloudy	22	Nice	sun	27	Vienna	fair	24
									Lisbon	sun	29	Nicosia	sun	37	Warsaw	thund	18
									London	cloudy	21	Oslo	shower	19	Washington	fair	30
									Lux.bourg	cloudy	19	Paris	shower	23	Wellington	cloudy	12
									Lyon	fair	25	Perth	fair	21	Winnipeg	shower	23
									Madeira	[redacted]	26	Prague	shower	22	Zurich	fair	21

هكذا في الاصل

FINANCIAL TIMES
COMPANIES & MARKETS
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Friday August 19 1994

IN BRIEF

Losses at Fokker rise with charges

Fokker, the Dutch aircraft manufacturer which is majority-owned by Deutsche Aerospace (DASA) of Germany, said losses widened to Fl 195.8m ($110m) in the first half from Fl 127.0m in the same period of 1993. Page 18

Volvo finds reasons for Renault failure
The terms of a French government "golden share" and uncertainty over the privatisation of Renault were key issues which led to the collapse last year of Volvo's plan to merge its car and truck operations with Renault, an internal inquiry by the Swedish manufacturer has concluded. Page 18

Sony blames strong yen for profits fall
Sony, the Japanese electronics group which also owns US recording labels and Hollywood studios, yesterday announced a 49.2 per cent fall in worldwide net profits to Y3.91bn ($39m) in the first quarter to June. Page 21

South Korea regains past glories
Net profits of South Korea's listed companies for the first half of 1994 have increased at their fastest rate since 1987, when the economy [illegible] achieving almost unprecedented double-digit growth. Page [illegible]

Woolworth losses widen to $42m
Losses at Woolworth, the beleaguered US retailer, widened still further in the second quarter to July in spite of the company's decision last year to close 970 underperforming general stores in the US and Canada. Net losses rose to $42m. Page 19

Creditors in O&Y debt plan
Citicorp, the US bank, and other US creditors of Olympia & York Development's US subsidiary, have drawn up joint plans to increase their share of the troubled company's debt. Page 18

AHP defends $9.7bn acquisition
American Home Product's successful $9.7bn acquisition of American Cyanamid this week is only the latest, but certainly largest, convulsion to shake the troubled pharmaceuticals industry. The merger of the two groups will create the world's fourth-largest drug company. Page 19

Tsingtao Brewery raises exports
Tsingtao Brewery, the China beer company that last year became the first mainland enterprise to secure a listing on the Hong Kong stock exchange, has reported first-half net profits of Yn101.96m ($11.86m) as increased exports helped offset the rising cost of raw materials. Page 21

Wills plans asset payout
W D & H O Wills, the Australian tobacco group in which the UK's BAT Industries holds a 67.3 per cent stake, is to pay out a substantial portion of its assets to its shareholders, by way of a special cash hand-out. Page 23

High technology, high ambition
Most high technology start-ups suffer their teething pains in decent obscurity. No such luck for Ionica, which plans to challenge British Telecom. Page 24

Recovery boosts Dawsongroup
Dawsongroup, the UK truck and trailer rental company, yesterday revealed a 41 per cent increase in interim profits to £5.02m. Page 23

Companies in this issue

Market Statistics

Chief price changes [illegible]

FRANKFURT (DM)

Rises			
[illegible]	139	+	[illegible]
[illegible]	[illegible]	+	6.5
VEW	393	+	8.5
Falls			
BMW	843.5	−	10.5
Hoechst	[illegible]	−	6.5
Porsche	835	−	25

NEW YORK ($)

Rises			
Joy Tech	[illegible]	+	[illegible]
Novellus Syst	45	+	[illegible]
Varity	35⅝	+	1
Falls			
Abbott Labs	29⅝	−	1¼
Lotus Devlpt	42¼	−	3½
Schering-Plough	69⅝	−	1¼

New York prices at 12.30.

PARIS (FFr)

Rises			
Club [illegible]	414.8	+	14.8
[illegible]	980	+	[illegible]
Falls			
Bancaire Comp	470.2	−	13.3
Credit Natl	[illegible]	−	25
[illegible]	116.6	−	4.4
Pechiney Intl	157.2	−	6.8

TOKYO (Yen)

Rises			
Mitsui Soko	890	+	18
Nippon Soda	511	+	19
Obbayashi	702	+	21
Tanabe Seiyaku	912	+	28
Falls			
[illegible]			
[illegible]	[illegible]	−	[illegible]
Kyodo Shiryo	[illegible]	−	15

LONDON (Pence)

Rises			
Andrews Sykes	[illegible]	[illegible]	6
Bostrom	253	+	[illegible]
Burtonwood	190	+	6
Caffyns	339	+	10
Coal Invs	110	+	5
Huntingdon Intl	70	+	6
Len Elect	[illegible]	+	[illegible]
Moorfield	34	+	3
News Intl	254	+	10
Plantation [illegible]	148	+	9
Royal [illegible]	290	+	12
Severn Trent	575	+	15
T&N	247	+	8
[illegible]	381	+	20
Thorn EMI	1058	+	23
[illegible]	535	+	17
Vodafone	206	+	11
Falls			
Arjan	179	−	[illegible]
BICC	399	−	17
Huntenprint	16	−	[illegible]
Kode Intl	[illegible]	−	37
RTZ	864	−	14
Wellcome	704	−	15
Williams Hldgs	390	−	7

BASF up 41% as volumes improve

By Paul Abrahams in London

BASF, the first of the German chemicals giants to report half-year results, yesterday unveiled a 41 per cent increase in pre-tax profits to DM683m ($435m), from DM483m.

Mr Max Kley, board director, said the turnround began at the end of last year. Volumes were up 9 per cent year on year, but prices remained 2 per cent down on average. Sales in Germany fell 2.3 per cent.

The results were at the lower end of analysts' expectations because of hefty restructuring charges in north America, and a decline in earnings from interest and currency transactions. These factors together had a negative impact on profits [illegible] DM1.44bn compared with DM745m [illegible]

Group turnover was up 4.7 per cent [illegible] DM23.08bn. Post-tax profits rose 113 per cent to DM425m, partly thanks to a rise in minority interests and a fall in the tax charge.

Restructuring, [illegible] in [illegible] was beginning [illegible] bear fruit, said Mr Kley. The [illegible] had reduced fixed [illegible] by more than DM1bn. [illegible] costs fell [illegible] to [illegible] and he added that numbers employed should fall from [illegible] to 107,800 by the end of the year. A [illegible] in [illegible] expenditure [illegible] DM1.8bn to DM1.28bn [illegible] helped.

BASF was aiming for a rate of return on assets of at least 10 per [illegible] This would correspond to pre-tax profits of DM3.5bn from a balance sheet of DM40bn, a target [illegible] should [illegible] in 1996 or 1997.

Mr Kley said BASF intended to make acquisitions in the pharmaceuticals industry. The company's drugs division is only the 40th largest in the world. It intended to acquire operations in the UK, France and the US, primarily in prescription medicines, but [illegible] generic non-patented drugs.

The [illegible] lifted by the chemicals division, where [illegible] rose [illegible] cent [illegible] DM3.12bn. [illegible] and fibres [illegible] increased 12 per cent to DM5.4bn.

Dr Albrecht Eckell, board member, said selling prices for the majority of plastics were still at an unacceptably low [illegible] and improvements [illegible] urgently required.

Polyethylene prices were [illegible] ticularly inadequate. High density polyethylene prices fell in [illegible] cases during the [illegible] quarter. [illegible] he hoped to achieve higher polypropylene prices [illegible] this [illegible] because raw material [illegible] were rising.

Lex, [illegible]

Ericsson powered by surge in sales

By Christopher Brown-Humes in Stockholm

A surge [illegible] of mobile telephone equipment powered a [illegible] rise in first-half pre-tax profits [illegible] and led the [illegible] telecommunications group [illegible] a confident [illegible] about prospects [illegible] 1994 [illegible] whole.

The increase in profits [illegible] was better than [illegible] and stemmed from a [illegible] per cent [illegible] sales [illegible] SKr36.5bn and tight [illegible] control. Higher volumes rather than [illegible] movements lay behind the strong [illegible] figures, Ericsson said.

The performance [illegible] a fore[illegible] from Mr Lars Ramqvist, chief executive, [illegible] full-year profits would [illegible] "significantly better" than last year's SKr3.1bn, heartened the [illegible] market. The group's B [illegible] 3.7 per cent [illegible]

The [illegible] communications [illegible] achieved spectacular growth in [illegible] and [illegible] world-lead[illegible] position in mobile telephone equipment. [illegible] communica[illegible] 60 per [illegible] to SKr17.1bn [illegible] the first half, well ahead [illegible] public communica[illegible] division where sales advanced 15 per cent [illegible] SKr11.5bn. Sales of mobile telephone systems and terminals were up 80 per cent.

The group stressed that costs relative to sales had declined "despite continued heavy investments in technical development".

A 19 per cent rise in the order book to SKr40.3bn showed Ericsson continuing to make inroads into many of its most important markets, including China, Sweden, the US, the UK and Italy. Although there was a slight slowing in the pace of new orders between the first and second quarters, the decline was less than some analysts had feared. The group has now increased its order intake for 11 successive quarters for an overall backlog of SKr49.0bn.

Asia is the fastest growing market, with sales virtually doubling [illegible] SKr7.6bn from SKr3.9bn. This reflects [illegible] importance [illegible] China as Ericsson's fifth [illegible] market, with 6 per cent of sales, and the [illegible] with which Japan has established [illegible] as its [illegible] important market, [illegible] the US, for mobile phone equipment.

Analysts [illegible] full-year profits [illegible] more than SKr5bn.

John Gapper and Tracy Corrigan report on banks' faltering enthusiasm for trading

Changing mood among big treasury players

W[illegible] what effect HSBC Holdings' £92m [illegible] first-half loss on proprietary bond trading would have, Sir William Purves, chairman, cited the the mood of traders: "Dealers who are relatively young have learned that markets are not always going to be like 1993."

HSBC's £449m fall in overall trading income placed it among European banks which suffered most from falls in bond prices and volatility this year. Swiss banks have disclosed falls of up to 63 per cent in trading income this week, and German banks' operating profits have also suffered.

Falls in trading income were expected after 1993's record year *in which most banks and securities* houses placed one-way bets on currencies and bond prices. But the effect on some banks has unsettled some investors and analysts.

"It calls into question the level of sustainable profits of banks. We are re-examining our forecasts with a more jaundiced eye," says Ms Susan Sternglass, analyst at the investment bank Goldman Sachs. For some, banks' dependence on trading – both proprietary and on behalf of clients – may be a shock.

"Investors may not have realised that some banks are very big treasury players," says Mr David Band, chief executive of BZW, Barclays' investment bank. He says this could lead to a de-rating of some bank shares towards the lower earnings multiples on which investment banks usually trade.

That has been seen in the 4.5 per cent fall in HBSC shares this week. This is a worry for banks like the Swiss which have expan[illegible] trading [illegible] complement income from retail banking.

Mr Rudi Bogni, head of Swiss Bank Corporation in London, says his bank will take in its stride a 63 per cent fall in trading income because it is within a band of acceptable volatility. [illegible] a [illegible] institution, and we know what we are doing. We are still in the business of taking risk," he says.

Other European banks have suffered setbacks this year in the middle of building up their treasury and capital markets arms. One is Commerzbank, one of the big three German banks, whose trading income fell [illegible] DM67m ($55m) from DM273m [illegible] it made losses in June while trading on its own account.

'Most of the things people regarded [illegible] being sure-fire went wrong, and violently wrong'

Mr Juergen Karcher, Commerzbank's head of fixed income, says the fall will not put the bank off its plans to expand European bond trading and treasury activities. "I do not think this will have an impact on long-term strategy. You cannot just take the result from one day to another."

But even if long-term strategies are unaffected, European banks are likely to reduce their emphasis on trading in the short-term for several reasons.

First, some of them built up proprietary trading too late to match the gains of US securities brokers. "The problem for a lot of non-US firms was that they came to it too late in the cycle. They were vulnerable when the mar[illegible] turned around," said one head of trading at a bank in [illegible]

"I don't think anybody is saying 'OK, proprietary traders, stop trading', but because markets are difficult and there is not a strong trend, everyone has cut back as a matter of course," said Mr Peter Bass, joint head of fixed interest and treasury at S.G. Warburg, the investment bank.

Second, a lack of liquidity in some European markets has forced banks to cut positions. Mr Band says BZW "clamped down" earlier in the year for this reason. "Markets do not have to be stable, but they must be liquid. We *have to be sure that we are able* to get out of what get into," he says.

Large trades are more nerve-racking in markets where customer flows have shrunk, and it is hard to sell a position that has gone wrong. "The low level of liquidity in the market will calm the speculation down," said Mr Daniel Napoli, head of risk management at the US firm Merrill Lynch.

Third, European banks discovered the shortcomings of their technology and risk management systems in volatile markets.

Mr Band cites June, when Italian 10-year gilts rose in price by 10 per cent. "Most of the things people regarded as being sure-fire went wrong, and violently wrong." He says many European banks do not have the US firms' "Formula 1" systems to allocate capital on a risk-adjusted basis. One reason for BZW's caution in trading this year was that "we've passed our advanced driving test, and are on to rallying and Le Mans, but we're not yet Formula 1".

Fourth, banks have had difficulty controlling costs in line with falls in income. SBC's personnel costs rose 19 per cent last year – driven by investment bank bonuses – but fell only 6 per cent in the first half. Unless there are big falls in the second half, cost to income ratios will inflate.

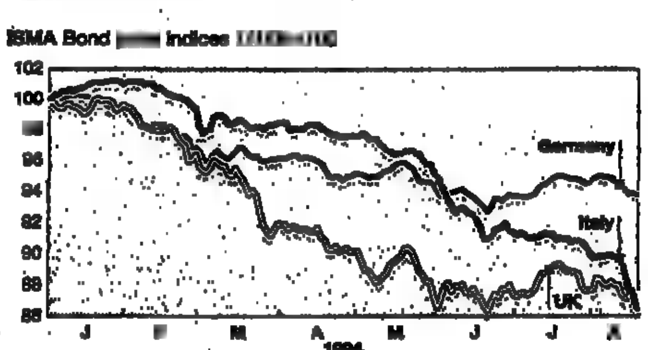
"Costs seem to be more geared on the upside than coming down, and the first-half results raise questions about the appropriate cost base going forward," says Ms Sternglass. Unless trading income revives, last year's record bonuses could be followed briskly by a shake-out of jobs.

Bankers insist [illegible] such [illegible] are unlikely to last. Mr Bogni of SBC says banks will reduce trading in the second half, but will "start 1995 with a clean sheet". Sir William talked this week of HSBC starting to take significant trading positions again when [illegible]

[illegible] a full recovery of confidence [illegible] certain. The US bank J.P. Morgan's AAA rating was placed on negative [illegible] by [illegible] agency Standard & Poor's in June [illegible] sure [illegible] trading. Banks with lesser reputations for risk management may find it hard to ignore such signals.

Falling bonds [illegible] their toll

ISMA Bond [illegible] indices [illegible]



Banks' proportion of income from trading 1993 (%)

	First half	Second half
Denmark	33	13
France	[illegible]	[illegible]
Germany	8	8
Netherlands	[illegible]	10
Switzerland	32	28
UK	[illegible]	10

Trading income

	First half 1993	First half 1994
SBC	SFr1.46bn	SFr537m
J.P. Morgan	[illegible]	[illegible]
HSBC Holdings	£522m	£73m
Commerzbank	[illegible]	DM67m

Source: Morgan Stanley, Datastream

US ethical fund raises concerns about Body Shop

By Andrew Jack in London

A US ethical investment fund [illegible] advised its clients [illegible] sell shares in Body Shop International, partly because of concerns about forthcoming press criticism of some of the company's social and environmental activities.

Franklin Research & Development has sold about 50,000 Body Shop shares which it manages for clients and has advised others to withdraw. It is planning to provide an article on the company in its newsletter to subscribers.

Mr Patrick McVeigh, a senior vice-president at Franklin, said yesterday the action partly reflected concerns about Body Shop's commitment to its "trade not aid" programme, the use of oil-based ingredients in its products, and emissions from its former New Jersey factory.

Franklin's decision was partly triggered by information it saw in draft articles due to be published in the US press, which are *expected to be critical of Body* Shop. Mr McVeigh said there was a commercial [illegible]ment to its "sell" recommendation: the negative publicity could reduce the value of the stock in the near-term. He stressed that Franklin believed Body Shop's share price was likely to fall in the short-term because it had risen well above the market this year, and because of increased competition from Bath & Body Works, its leading US rival.

Mr Gavin Grant, general manager for corporate communications at Body Shop, was "bewildered" by Franklin's decision. "I'm not aware of major companies who do more or who are heading more in our direction." Body Shop was currently discussing – and challenging – some facts in Franklin's article.

He said it was difficult [illegible] quantify the extent of the company's [illegible] not aid" purchases from Third World groups, but it was between *1 and 10 per cent of* UK turnover. "It is a small part of what we do but we are committed to its rapid development."

He said he did not believe Body Shop had any "major environmental skeletons in the closet", and that it was seeking to move away as quickly as possible from non-renewable ingredients in its products wherever practicable. "I don't think the company claims perfection," he said. "We are not an environmentally friendly company. No company can be. But we are environmentally responsible."

The company said there had been only two, non-toxic, emissions from its New Jersey plant, and these had been reported to the authorities.

Mr McVeigh said Franklin manages more than $350m in funds on behalf of 300 clients.

Euro Disney finance chief quits

By Alice Rawsthorn in Paris

Euro Disney, [illegible] leisure group which recently completed a FFr13bn (£1.56bn) refinancing, yesterday announced that Mr Michael Montgomery was resigning as chief financial officer after less than 18 months in the post.

Mr Montgomery, who moved to the group in April 1993 from Walt *Disney, its US parent company*, is the latest [illegible] leave Euro Disney.

[illegible] company said Mr [illegible]gomery, who joined the group to orchestrate [illegible] restructuring, now wanted to pursue other opportunities. He will be succeeded by Mr Xavier de Mézerac, previously head of financial planning and analysis.

Mr Philippe Bourguignon, chairman, thanked Mr Montgomery for his "outstanding commitment and contribution".

However, analysts speculated that Mr Montgomery, highly regarded in the financial community, had left because of strains in his relationship with Mr Bourguignon. "So many senior people [illegible] left Euro Disney that it looks more and more like Hotel California," commented [illegible] observer.

The shares, which recovered slightly early this month on news that the rights issue had been 80 per [illegible] subscribed, ended [illegible]terday [illegible] centimes lower at FFr10.35.

Mr Mézerac faces the challenge of further reducing Euro Disney's debt. The company confirmed it had used FFr5.8bn, almost all the rights issue proceeds, to prune its net debt to FFr16bn.

Euro Disney, which was forced to restructure after sustaining a net loss of FFr6.9bn in the year to last September, now plans to reduce its debt progressively through improved liquidity.

It envisages cutting interest payments by FFr400m this financial year and by FFr600m next year. The company said that the benefits of its improved liquidity had started to filter through in the third quarter, but that it would not feel the full benefit until next year.

INTERNATIONAL COMPANIES AND FINANCE

Losses widen to Fl 196m [illegible] Fokker takes charges

By Ronald van de Krol in Amsterdam

Fokker, the Dutch aircraft manufacturer which is majority-owned by Deutsche Aero[illegible] (DASA) of Germany, [illegible] to Fl 195.8m [illegible] in the first half from Fl 127.0m in the same period of 1993.

[illegible] blamed [illegible] deterioration on [illegible] charges taken [illegible] finance reorganisations and buy [illegible] as well as charges needed to [illegible] of "disappointing [illegible] proceeds".

The company, which [illegible] figures [illegible] of bourse trading, [illegible] it [illegible] full-year [illegible] to [illegible] lower than [illegible] Fl 460m posted in 1993.

Fokker described the prospect [illegible] full-year losses [illegible] "turnround point" and repeated earlier [illegible] a return to profitability in 1996. It [illegible] figure for first-half [illegible] which are scattered [illegible] various [illegible] profit and loss account, [illegible] spokesman described them as "hefty".

Fokker delivered [illegible] Fokker 50 and 14 Fokker 100s in the [illegible] months, and it [illegible] delivered other aircraft through [illegible] agreements. At [illegible] time, it [illegible] contracts for the delivery of [illegible] aircraft at future [illegible].

"The problem [illegible] not so much the number of aeroplanes [illegible] or [illegible] that remain unsold but the fact [illegible] the difficult [illegible] on the international [illegible] market mean [illegible] the price [illegible] for our aeroplanes [illegible] under pressure," [illegible] spokesman [illegible].

Total revenue, including both actual turnover [illegible] changes in [illegible] valuation of work in [illegible], fell to Fl 1.41bn from Fl 2.10bn in the [illegible] half [illegible]. [illegible] fell, but [illegible] rate, to Fl 1.72bn [illegible] Fl 2.0bn.

[illegible] if it had not been for the [illegible] Fl [illegible] of [illegible] technology to Rabobank of [illegible] Netherlands. The proceeds, [illegible] extraordinary gains, were partly [illegible] by extraordinary charges of [illegible] restructuring.

The transaction [illegible] part of a [illegible] Fl 2bn financial [illegible]uring being carried out with the support of DASA, [illegible] belongs to [illegible] Daimler-Benz [illegible] and [illegible] already [illegible].

The rest [illegible] restructuring [illegible] Fl 1bn [illegible] working capital through [illegible] of a separate leasing company. Fokker will take [illegible] minority [illegible] in [illegible] new [illegible].

Pinault wins Fnac control with go-ahead to buy Altus holding

By Alice Rawsthorn in Paris

Mr François Pinault, [illegible] ambitious [illegible] Pinault-Printemps retail [illegible] yesterday won his [illegible] to [illegible] control [illegible] Fnac, the music and [illegible] chain, by getting the go-ahead to buy a majority [illegible] from [illegible] Lyonnais banking [illegible].

Artemis, the holding company [illegible] Pinault family's interests, [illegible] agreed a [illegible] with the Altus [illegible] subsidiary [illegible] Lyonnais to buy [illegible] holding in Fnac, [illegible] of [illegible] most famous [illegible] in French retailing, for around FFr2bn ($374m).

However, the deal [illegible] subject [illegible] approval [illegible] Générale des Eaux, [illegible] utility and media [illegible] which [illegible] another 33.4 per cent of Fnac and has pre-emptive rights [illegible] the Altus [illegible] des Eaux [illegible] speculation [illegible] it might [illegible] pre-emptive rights by announcing that [illegible] was delaying taking [illegible] final decision [illegible] an extra week after [illegible] original deadline.

The new deadline expired on Wednesday. [illegible] Eaux yesterday confirmed that [illegible] to buy [illegible] holding. However, it will play [illegible] significant [illegible] in [illegible] it is empowered [illegible] appoint [illegible] of [illegible] committee, which [illegible] all [illegible] strategic [illegible] the [illegible].

François Pinault: gains a high-profile retailer

Fnac, [illegible] for [illegible] and books, [illegible] retailing, as the French call it, is a high profile addition to Mr Pinault's existing retail inter[illegible] that include the Au Prin[illegible] department [illegible] group, La [illegible] mail order busi[illegible].

The [illegible] at [illegible] time when French retailers [illegible] paring to [illegible] from [illegible] after [illegible] tough two [illegible] virtually static [illegible] spending.

However, Fnac's dominant position in the "cultural" sector is under attack from the dynamic Virgin Megastores chain owned by Mr [illegible] Branson, the [illegible] entrepreneur.

Mannesmann criticises ministry over deregulation

By Christopher Parkes in Frankfurt

The [illegible] postal ministry [illegible] yesterday [illegible] of blocking private telecommuni[illegible] operators' [illegible] to prepare for deregulation of the federal network.

"If private companies cannot prepare for the end of the telephone monopolies, then giants like AT&T will come and roll over the German market when the day comes," said Mr Peter Mihatsch, [illegible] of [illegible]mann's [illegible] division.

Calling for a time schedule for the introduction of competition, he attacked the "lack of objectivity" demonstrated by Mr Wolfgang Bötsch, the minister responsible.

Mannesmann and UK-based Mercury recently won temporary injunctions preventing the ministry [illegible] awarding Germany's first in-flight [illegible] phone [illegible] to [illegible] Mobil, a subsidiary of the [illegible]kom.

A Cologne court found that [illegible] from [illegible] had [illegible] effectively equally competitive. [illegible] now seems likely [illegible] a lottery.

Meanwhile, Mannesmann, [illegible] operator of Germany's D-2 [illegible] phone network, [illegible] on with [illegible] for [illegible] partners, Mr [illegible] in an interview with [illegible].

[illegible] was negotiating with [illegible]eral potential partners [illegible] the aim of providing global corporate communications services based on Corporate Network International, a newly-formed business.

CNI was recently approved by the European Commission as being good for competition in the sector which had been the sole preserve of Deutsche Telekom.

It [illegible] a joint venture [illegible] senior partner Mannesmann, Deutsche Bank and [illegible] energy-based conglomerate.

[illegible] was also looking for more partners in conventional mobile telephone services, Mr Mihatsch said.

Volvo finds key to merger failure

By Hugh Carnegy in Stockholm

The terms of a French government "golden share" and uncertainty over the privatisation of Renault were key issues which led to the collapse last year of Volvo's plan to merge its car and truck operations with Renault, an internal inquiry by the Swedish manufacturer has concluded.

The inquiry's author, Mr Arne Wittlöv, head of Volvo Aerospace, also indirectly criticised Mr Pehr Gyllenhammar, the former Volvo chairman who resigned when the merger was blocked by a shareholder and management revolt, for not tackling the deep concerns raised by the merger plan.

Although Volvo has not published the report, Mr Wittlöv outlined his conclusions in an [illegible] in [illegible] company's [illegible] magazine Volvo Now. [illegible] said he had interviewed some 50 shareholders, executives, board [illegible] and trade union members in the course of preparing his report.

He said the terms of the golden share the French government intended to keep in the new Renault-Volvo after privatisation meant there was a risk that Volvo's 35 per cent [illegible] in [illegible] merged [illegible] ultimately [illegible] driven down to 20 per cent.

"So there were many who reacted. The deal no longer appeared to be a merger but more of a takeover. Furthermore, the deal was influenced by the lengthy uncertainty surrounding the privatisation of Renault," Mr Wittlöv said. The French government said it intended to sell off Renault by the end of 1994, but could give no cast-iron pledges because of uncertainty over market conditions.

Meanwhile, Mr Wittlöv said, criticism and doubts grew within [illegible] the [illegible]trial logic of the merger. "People quite simply did not believe in the benefits of co-operation . . . One can ask oneself if the mission was too big. It was a terrific task to throw together [illegible] national treasures."

Without mentioning Mr Gyllenhammar, Mr Wittlöv added that a lesson of the "traumatic" affair was the importance of analysing and communicating strategy. "A company undergoing change must have a visible leadership.

"The process of change must be well-organised," he said. "One must [illegible] show respect for the [illegible] and uncertain[illegible]. The difficulties of co-operation must [illegible] admitted [illegible] confronted. [illegible] must also [illegible] the [illegible] change from a [illegible] perspective."

Creditors draw up plan to lift share of O&Y's debt in US

By Bronwen Maddox in New York

Citicorp, the US bank, and other US creditors of Olympia & York Development's US subsidiary, have drawn up joint plans to increase their share of the troubled company's debt.

The creditors' move to consolidate holdings of the unsecured debt of O&Y's US subsidiary is seen as an attempt to strengthen their claim to the subsidiary's assets at the expense of unsecured creditors of the Canadian parent, including leading Canadian banks.

Creditors of the Toronto-based parent company, which restructured under Canadian bankruptcy law last year, have looked to the US subsidiary as their best chance of recouping losses.

In the latest move, Citicorp and Apollo Real Estate Investments, the New York-based property group run by Mr Leon Black, have agreed in principle to buy together some $65m of the US subsidiary's unsecured debt from Salomon Brothers, the investment bank.

Salomon is understood to have acquired the debt when O&Y USA defaulted on an interest rate swap contract struck in 1989.

Before the latest move, Citicorp is believed to have held some $250m of the US subsidiary's unsecured debt. Apollo has steadily been buying other slices of the debt.

O&Y (USA) has been struggling for two years to renegotiate some $5bn of debt without resorting to the bankruptcy courts.

It has made progress with plans for a settlement with creditors whose loans are secured on New York properties, but the restructuring has pitted unsecured [illegible] against each other.

Stadshypotek swings into black

By Christopher Brown-Humes in Stockholm

A sharp decline in loan losses enabled Stadshypotek, Sweden's largest mortgage credit institute, to swing back into profit in the first half ahead of a SKr3bn share issue planned for this autumn.

The institute said operating profits of SKr651m ($82m) followed a SKr350m loss in the corresponding 1993 period.

Mr Lars Wohlin, managing director, called the result "very satisfactory" and put the group on track for full-year profits of SKr1.3bn after last year's SKr866m deficit.

Profit before problem loans climbed 27 per cent to SKr1.66bn due mainly to higher net interest income of SKr2.04bn.

The real force behind the revival was a 39 per cent drop in loan losses to SKr1.01bn. Problem loans have fallen to SKr6.1bn from SKr7.1bn at the year-end.

The share issue will widen the ownership base of the institute, currently 100 per cent owned by Stadshypotekkassan, a trustee fund.

Two thirds of the shares will be offered to the institute's borrowers, who [illegible] scription rights [illegible] favour [illegible] and international [illegible] equity will [illegible].

The process bears similarities to Abbey National's conversion from mutually-owned building society to a bank, although unlike Abbey, Stadshypotek does not have savers and relies on wholesale bond markets for its funding.

The institute will be listed on the stock market during the autumn. Joint global co-ordinators of the issue are Kleinwort Benson and Alfred Berg.

US asbestos settlement helps T&N

By Tim Burt in London

T&N, [illegible] British engineering and motor [illegible] yesterday moved closer to burying its [illegible] Britain's [illegible] supplier [illegible] following [illegible] landmark court [illegible] in the [illegible].

[illegible] settlement announced in [illegible] Philadelphia [illegible] court, [illegible] framework for settling personal injury [illegible] and should [illegible] T&N [illegible] cut its liability provisions for asbestos-linked legal action.

Mr Colin Hope, chairman and chief executive, said those provisions – £21.1m ($32.5m) last year – could be halved by the turn of the century and wiped out [illegible] within [illegible] years.

[illegible] to report first-half profits of [illegible] month, [illegible] been pursuing the US settlement for more than a year through the Center for Claims Resolution – a legal group representing 20 asbestos companies including [illegible] Industries, Pfizer and Union Carbide [illegible]tics.

It claimed victory after a US district judge supported a class [illegible] brought by the companies, under which they will together pay some $1bn over 10 [illegible] in [illegible] and [illegible].

T&N [illegible] up [illegible] 247p.

مكتامن الأصل

INTERNATIONAL COMPANIES AND FINANCE

AHP defends delicate chemistry of $9.7bn acquisition

The merger with American Cyanamid has left some industry experts puzzled, write Patrick Harverson and Paul Abrahams

American Home Product's successful $9.7bn acquisition of American Cyanamid this week is only the latest, but certainly largest, convulsion to shake the troubled pharmaceuticals industry.

The merger of the two groups will create the world's fourth-largest drug company, behind Merck, Glaxo, and Bristol-Myers Squibb. Combined turnover will be about $12.5bn, of which drug and health care products will account for almost 75 per cent.

The industrial logic of the deal, unlike with SmithKline Beecham's asset-swap with Cyanamid proposed earlier this month, is not immediately clear.

Admittedly, there is little product overlap. AHP produces top-selling food and consumer products such as Chef Boyardee pasta and Chap Stick, but is best-known for its drug brands. These include the headache tablets Advil and Anacin, the estrogen drug Premarin, and the contraceptive Norplant. Cyanamid's drug unit Lederle is known for its vaccines, cancer agents, antibiotics and Centrum [illegible].

However, this impressive [illegible] of products does [illegible] tell the full story. Industry analysts say AHP's range of drugs is ageing rapidly, and facing intensifying competition from newer drugs on an increasingly price-sensitive market.

There is nothing to suggest that the acquisition of Cyanamid will help rectify [illegible] situation. Lederle [illegible] produced [illegible] drug in years, and both Cyanamid and AHP [illegible] consistently criticised for [illegible] poor quality of their research and development.

"Lumping [illegible] together doesn't make them float any better," says one analyst. "[illegible] key [illegible] that the combined group starts producing some innovative products that can generate volume growth."

One potential [illegible] greater innovation is the combination of the two groups' biotechnology businesses. AHP is a majority owner of Genetics Institute, and Cyanamid [illegible] majority owner of Immunex.

Between the two, AHP will control a formidable biotech operation, says Mr Arvind Desai, an analyst with the independent US research firm Metha and Isaly. "In terms of dollars spent on biotech research, it will be comparable to Roche's Genentech."

AHP, however, says there are no plans for merging Genetics Institute and Cyanamid's Immunex in the near term. There are the interests of the minority shareholders to consider, and Mr John Stafford, AHP's chairman, believes early benefits can be achieved from closer co-operation between the two biotech companies.

While AHP sets about integrating the companies' drug businesses, the big question is what will it do with Cyanamid's agricultural-chemicals operation? Many Wall Street analysts believe it will be sold, if only because AHP will need to reduce its heavy debt load soon, and because there should be no shortage of buyers, at least for the non-animal health parts of it.

Says Mr Desai: "The agrochemicals business of Cyanamid is very attractive because it's in a fairly consistent growth pattern with high operating margins. By the end of next year, it could be worth $4.5bn or even $5bn."

However, specialists in agrochemicals are more doubtful about such large figures. They argue that with sales of about $1.7bn a year, it might command one to one and half times sales, but no more. The animal health business, with annual sales of about $305m, would [illegible] lower premium.

As for who might buy [illegible] business, Mr Desai names Zeneca of the UK; AgrEvo, the joint-venture between Hoechst and Schering of Germany; [illegible] of France; [illegible] and Du Pont in the US are also mentioned. [illegible] the animal health operations.

This speculation, however, [illegible] the mark, [illegible] Mr Stafford, [illegible] insists that the agrochemicals unit is [illegible] good fit for AHP. "It's growing. [illegible] technology-based, which is consistent with our approach [illegible] the business. It's really an outstan[illegible] business, and will become part of our diversified portfolio."

Although the only obvious synergy between Cyanamid's agricultural unit and AHP is in the area of veterinary pharmaceuticals, Mr [illegible] is unrealised potential [illegible] the [illegible]. "It has [illegible] chemi[illegible] library of [illegible] 300,000 compounds; by using today's technology, it can be screened for pharmaceutical uses – that can be an extra plus."

The immediate task for AHP is to start squeezing all the possible cost savings out of the merger. Considerable savings should be realised from eliminating the duplication of administrative, research and development, and marketing operations in the drugs businesses. Given AHP's renowned ability [illegible] control costs, analysts [illegible] savings could [illegible] much [illegible] $300m [illegible] year.

Saving money, however, [illegible] not the [illegible] behind [illegible] acquisition of Cyanamid, says Mr Stafford. "The basic reasoning for doing this is not cost-reduction. The primary motivation [illegible] to build [illegible] for the [illegible]. It [illegible] player in [illegible]. It dramatically increases our size in [illegible] pharmaceutical [illegible] worldwide. It gives us a position in Asian markets, [illegible] previously we were somewhat weak."

Yet, the company will have to move quickly on costs in order to start cutting into the $9bn in debt AHP took on to finance the purchase of Cyanamid. Mr Stafford is confident AHP can bear the debt burden for now. "We can service and reduce [illegible] of the [illegible] of the combined companies. We may take other [illegible] help [illegible] debt, but we have no specific plans yet. And we'll still pay the dividend."

The deal may trigger even more cost-cutting in a sector [illegible] has already [illegible] of thousands of jobs. One analyst comments: "Either Mr Stafford has done [illegible] sums wrong, or [illegible] huge [illegible] savings in pharmaceu[illegible] compa[illegible] that we haven't [illegible] contemplate."

Meanwhile, [illegible] of worldwide healthcare reform show no sign of letting up, and the fax machines of finance directors are known to be humming with proposals from investment bankers. This latest acquisition [illegible] unlikely [illegible] last.

Navistar out of red as demand increases

By Laurie Morse in Chicago

Navistar International, the Chicago-based manufacturer of International brand trucks, diesel engines and [illegible] bus chassis, has benefited from a sharp increase in demand for heavy trucks and engines.

It yesterday unveiled third-quarter income of $20m, or 17 cents [illegible] share, [illegible] turnround from last year's third-quarter loss of $312m, or $9.99 a share.

Excluding the special accounting charge that [illegible] to last year's quarterly loss, Navistar recorded 1993 third-quarter earnings [illegible].

[illegible] rose 11 per cent [illegible] $1.25bn, up from [illegible] year's $1.13bn.

The company [illegible] heavy and medium trucks and school bus [illegible] in the quarter, up 15 per cent from last year. Sales [illegible] mid-range diesel engines to other truck [illegible] rose 23 per [illegible] $157m, on shipments of 35,100m units.

Sales of service parts [illegible] 11 per cent [illegible] year's third quarter, [illegible] $178m.

Robust demand [illegible] prompted [illegible] to boost its annual projections for industry-wide [illegible] heavy trucks in North [illegible] to 204,000 units, up 23 per [illegible] from 1993's 166,400 units, and [illegible] per [illegible] higher [illegible] company's previous forecast of 195,000.

To meet growing demand for its engines, the company took on 650 production workers during the quarter, and added extra shifts to its mid-western diesel engine [illegible].

For the first nine months, Navistar had net income of $59m, or [illegible] share, [illegible] $3.78bn.

Woolworth losses widen to $42m

By Richard Tomkins in New York

[illegible] at Woolworth, the beleaguered US retailer, widened still further in the second quarter to July in spite of the company's decision last year to close 970 underperforming general merchandise stores in the US and Canada.

Net losses rose to $42m from [illegible]0m on revenues [illegible] $1.9bn from $2.3bn. Losses per share rose to 32 cents from 8 cents and, as announced last month, the dividend has been slashed to 15 cents from 29 cents.

Last year, Woolworth embarked on a restructuring to improve its poor financial performance. In addition to closing 970 variety stores, it sold its loss-making Woolco discount store chain in Canada to Wal-Mart Stores.

Yesterday's figures showed that these moves had slightly improved the performance of its North American operations: operating profits in the US rose to $40m from $24m, and in Canada, the comparable quarter's operating loss of $19m turned into an operating profit of $1m.

However, Woolworth's operations in [illegible] world, mainly comprising its specialty retailing chains such as Foot Locker and its general [illegible] in Germany, [illegible] operating losses to $47m from $10m. Woolworth blamed [illegible] economic conditions, particularly in Germany.

The net losses also included a supplementary charge of $30m relating to the disposal of [illegible] chain. Last [illegible] pre-tax charge of $168m [illegible] on the sale.

Woolworth said if the discontinued operations were [illegible] comparable period's figures, revenues would have [illegible] of 4.1 per cent.

However, the market, disappointed at the company's lack of progress towards profitability, marked the shares down $¾ to $15¼ in early trade.

For the six months to July, net losses increased to $80m from $34m in the comparable period, including the $30m charge.

Leaving aside the two quarters last year in which Woolworth falsified its figures to create the illusion of profitability, the company has not made a profit since 1992.

Dominion Textile sees solid rise

By [illegible] in [illegible]

Dominion Textile, [illegible] international integrated [illegible] group, saw fourth-quarter net profit rise sharply, boosted by strong demand for denim and yarn from apparel makers.

Domtex, one of the world's biggest denim cloth producers, said fiscal 1995 had begun with a strong order book, and demand for commodity yarns was good.

Net profit for the three months ended June 30 was C$22.4m (US$16.4m), or 52 cents a share, up from C$11.3m, or 25 cents, a year earlier. Revenues were C$394m, up 9 per cent. For the full year, net profit was C$33.5m, or 70 cents a share, up 11 per cent, on sales which were little changed at C$1.3bn.

Mr John Boland, head of the US subsidiary Swift Textiles, has been appointed president of Domtex. He succeeds Mr Charles Hantho, who remains chairman and chief executive.

Strong earnings advance at Varity

By Laurie [illegible]

Varity, the Buffalo-based maker [illegible] Kelsey-Hayes automotive parts and Perkins brand diesel engines, lifted second-quarter earnings from continuing operations to $22.8m, or 50 cents a share, on sales of $517m.

This was up from $13.1m, or 25 cents, on sales of $422m in last year's second quarter.

Varity sold the remaining portions of Massey Ferguson's farm equipment division to Agco during the quarter, realising a gain of $23.2m, or 52 cents a share.

Including that gain, it earned $46m, or $1.02 a share, in the second quarter. Shareholders' equity rose by $93m after the sale.

Varity said yesterday it would use the proceeds of the sale to buy back up to 4.5m of its own shares, or about 10 per cent of those outstanding.

The repurchase programme would be valued at close to $157m at current [illegible] prices.

[illegible] responded favourably to the announcement, pushing Varity shares up $1 to 35¼ in midday trading.

For the first half of the year, the company reported income from continuing operations of $47.8m, or $1.05 a share, on sales of $1.02bn. This is up sharply from last year's first-half profits of $27.1m before extraordinary charges, on sales of $876m.

● Clark Refining & Marketing, a unit of Canada's Horsham Corporation, [illegible] buying the Port Arthur, Texas oil refinery and terminal facilities of Chevron of the US for C$74m plus inventory of about C$140m (US$102.2m), Reuter reports from Toronto.

The deal has a potential for additional payments of up to C$125m over five years if refining industry margins exceed certain levels, Clark said.

The Part Arthur refinery has an operating capacity of about 200,000 barrels per day.

Varig offers board seats for financial aid

By Patrick McCurry in São Paulo

Varig, Latin America's largest airline, has proposed offering board seats to McDonnell Douglas and General Electric in return for their help with its financial restructuring.

The Brazilian carrier said it had signed letters of intent with the two US companies to restructure its payments to Eximbank of the US for aircraft. Varig owes Eximbank more than $600m.

A board seat will be given to Varig's Brazilian creditor banks and one more will be decided by Varig, McDonnell Douglas and General Electric. The other five board seats will remain under Varig's control.

Varig said the proposals did not involve changes in the shareholding of the airline, which is controlled by an employees' foundation.

General Electric has agreed to buy Varig's six Boeing 767 aircraft, which had [illegible] purchased with Eximbank funding, for $204m. Varig will continue to use the aircraft.

McDonnell Douglas, which sold Varig four MD-11 aircraft, will pay the principal on the debt for the next 18 months, totalling $72m, while Varig will continue to pay the interest.

Commerzbank link

Commerzbank of Germany has bought a stake of about 20 per cent in the Polish bank Rozwoju Eksportu, agencies report.

Commerzbank said with the [illegible] market [illegible] estimated at DM300m [illegible], the [illegible] of the stake was around DM60m.

Notice of Partial Redemption

ICI

Imperial Chemical Industries PLC

(incorporated with limited liability in England under the Companies Acts, [illegible] 1917)

Issue of £125,000,000 11¼% Bonds 1995

NOTICE IS HEREBY GIVEN that, in accordance with Condition 4(a) of the Bonds, ICI will redeem [illegible] of the Bonds outstanding [illegible] par, [illegible] 20th September, 1994. The Bonds to be redeemed on that date have been selected by drawings. The principal amount of the Bonds to be redeemed on 20th September, 1994 (the "Redemption Date") [illegible] £62,500,000 when interest [illegible] such Bonds will cease [illegible] accrue. The remaining 50% of the Bonds outstanding [illegible] be redeemed [illegible] 20th September, 1995.

The numbers of the Bonds selected for redemption [illegible]

[illegible]

(Continued on the following page)

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(Continued from the preceding page)

20495	20962	21389	21820	22286	22776	23224	23823	24109	24554
20497	20963	21390	21822	22287	22782	23225	23824	24110	24556
20500	20964	21392	21826	22289	22783	23230	23828	24111	24557
20501	20965	21394	21827	22291	22785	23231	23829	24113	24558
20502	20966	21395	21828	22292	22786	23233	23831	24115	[illegible]
20505	20967	21398	21829	22293	22788	23234	23834	24121	24563
20509	20969	21400	21830	22295	22789	23237	23835	24128	24564
20513	20970	21401	21832	22296	22792	23240	23837	[illegible]	24565

Principal Paying Agent
Bankers Trust Company
1 Appold Street, Broadgate
London EC2A 2HE

Paying Agents

Banque du Bénélux S.A.
40 rue des Colonies
B-1000 Brussels

Banque [illegible] Luxembourg
[illegible] Allée Scheffer
L-2520 Luxembourg

Swiss Bank Corporation
1 Aeschenvorstadt, CH-4002 Basle
Switzerland

Bankers Trust Company, London — Agent Bank

19th August, 1994

INTERNATIONAL COMPANIES AND FINANCE

Sony blames strong yen for 49% profits fall

By Gordon Cramb in Tokyo

Sony, the Japanese electronics group which also owns US recording labels and Hollywood studios, yesterday announced a 49.2 per cent fall in worldwide net profits to Y3.91bn [illegible] in the first quarter to June.

The drop, which came in spite of a 4.3 per cent rise in sales to Y864.5bn and a 25.7 per cent jump in operating profits to Y31.8bn, was blamed on the rise in the yen.

Sony said [illegible] increase in the currency cost it Y43bn in revenues when translated into yen. Through forward contracts it still achieved a net foreign exchange gain of Y7.5bn in the three months, but this was 63.2 per cent below the 1993 first quarter.

Mr Sumio Sano, a Sony director, said its forex arrangements for the year as a whole were more favourable. This would be the main factor in allowing the group to meet its earlier forecast that full-year net profits would rebound 161 per cent to Y40bn, on a 7 per cent rise in sales to Y3,990bn.

To counter the effect of the high [illegible] on exports, Sony continues to move production of electronics hardware overseas. By next March, according to Mr Sano, sites abroad would produce 45 per cent of all output, up from 41 per cent now and 35 per cent at the start of the latest three months.

The quarter was the first since the group was streamlined into largely independent business units each responsible for its own marketing.

Sales of video equipment fell 1.3 per cent but audio products rose 5.2 per cent, supported by sales of MiniDisc players. Demand for television sets rose 10.1 per cent and other electronic products 3.4 per cent.

On the entertainment side, which accounts for nearly a fifth of all sales, music [illegible] revenues rose 12 per cent on the back of hit albums by artists ranging from Pink Floyd to the Spin Doctors. Takings from the Columbia and TriStar film studios were down 4.3 per cent, mainly due to the effect of the stronger yen. On a local currency basis, revenues were up 1 per cent in pictures and 27 per cent in music.

In Japan and Europe, which were its two weakest markets last time, Sony increased total sales by 3.9 per cent and 4.5 per cent respectively. US revenues were up 1.8 per cent. The [illegible] reflect the performance of its 818 subsidiaries and 24 equity-accounted affiliates.

Tsingtao Brewery raises exports

By Louise Lucas in Hong Kong

Tsingtao Brewery, the China beer company that last year became the first mainland enterprise to secure a listing [illegible] the Hong Kong [illegible] exchange, has reported first-half net profits of Yn101.96m ($11.86m) as increased exports helped offset the rising cost of raw materials.

As Tsingtao was only listed in Hong Kong 13 months ago, there is no comparison under Hong Kong accounting standards for the first half of 1993.

Under mainland accounting, the net attributable profit rose 63 per cent to Yn112m from Yn68.9m in the same period last year.

The reconciliation when reporting the Hong Kong accounts includes Yn2.4m of depreciation on fixed assets and Yn7.71m provisions for bad debts. There were no transfers to reserves or welfare funds from shareholders' profits during the period, as these are taken at the year end.

Under Hong Kong [illegible]ing, earnings per share came in at Yn0.11. Dividends are only paid at the year-end.

Tsingtao produced 170,716 tonnes of beer in the first six months, a year-on-year volume [illegible] of 27 per cent. Foreigners accounted for $7.2m worth of exports, an 8 per cent rise on last year.

Marketing efforts in Europe were spurred by the setting up of the Tsingtao Brewery European Trading Company in France in June. This office will also look at opportunities for producing the beer in French factories.

Inflation sent the cost of raw materials up 15 per cent to 20 per cent; the cost of rice over the six months doubled.

Exchange rate fluctuations brought good and bad news.

Imports of raw materials exceed[illegible] exports, so production [illegible] rose and profits were squeezed. To compensate, Tsingtao has increased efforts to expand overseas markets and raise exports and landed a record $9.65m order at an international trade fair in Guangzhou.

Record life business lifts Liberty 27.1%

By Mark Suzman in Johannesburg

South African life assurer Liberty Life, which recently successfully floated a $300m international bond issue, has boosted attributable earnings 27.1 per cent to R225m ($61.1m) for the six months to June, up from R177m a year ago.

The good results were due largely to record levels of new business from life operations, as total new business written by Liberty and its wholly owned subsidiary, Charter Life, reached R1.69bn, up from R1.04bn a year ago.

Single premiums rose 81 per cent to R1.25bn from R692m while net annualised recurring premiums increased by 28 per cent to R441m from R344m. The interim cash dividend was increased 20 per cent to 96 cents from 80 cents.

Management reported that the Liberty group had raised around R5bn in capital over the past year through the bond issue, the flotation of UK-based Capital Shopping Centres and 80 per cent of subsidiary Libsil and through TransAtlantic Holdings. However, the company said it no immediate plans for an American acquisition.

Liberty's parent company, Liberty Holdings, reported a 21.3 per cent increase in attributable profits for the six-month period to R137.9m, up from R113.7m. After-tax profit rose 21.6 per cent to R370.1m from R304.3m while the dividend was raised to 264 cents, 20 per cent up from last year's 220 cents.

South Korea regains past glories

John Burton reports on the return to the rapid expansion of the mid-1980s

Net profits of South Korea's listed companies for the first [illegible] of 1994 have increased at [illegible] fastest rate since 1987, when the economy was achieving almost unprecedented double-digit growth.

Average [illegible] profits [illegible] 518 listed companies jumped by 75 per cent during the first half, which surpassed the 71.4 per cent gain registered during the first half of 1987, according to Dongsuh Economic Research Institute.

Sales increased by 16.6 per cent, almost matching [illegible] growth in turnover during [illegible] boom years of 1986-87.

The sharp earnings [illegible] reflects an economic recovery based on increased spending for production expansion, which benefited steel, [illegible]struction and machinery companies, and higher private consumption.

Exports have also surged due to the depreciation of the Korean currency against the strong Japanese [illegible] and increased demand in advanced industrial countries.

Growing exports helped boost net earnings for Hyundai Motor, the nation's largest car producer, by 343 per cent to Won68.2bn ($84m), while foreign demand for memory semiconductor chips was largely responsible for the 408 per cent rise in profits to Won285bn for Samsung Electronics.

Even the troubled petrochemical industry, which has suffered a production glut that depressed earnings since 1990, is witnessing a [illegible] because of increased exports to China and [illegible] Asia. Lucky, one of Korea's leading petrochemical companies, reported a 61 per cent profit [illegible] to [illegible].

Analysts believe the strong earnings performance [illegible] the economies of scale and improved production efficiency achieved by Korea's big industrial groups.

This has produced [illegible] profit margins, which have also been improved by stable raw material costs.

The fact that operating profits, which Barings Securities estimates rose by 51.5 per cent, accounted for most of the net earnings growth underscores the industrial strength of Korean business. In contrast, the higher net profits reported in 1987 were largely the result of foreign exchange gains, according to Dongsuh.

Moreover, the manufacturing sector recorded the highest net profit [illegible] at [illegible] per cent, [illegible] companies had an 82.9 per cent jump in earnings.

The overall average for listed companies was pulled down by the relatively poor profit per[illegible]ance of the financial sector, which grew by only 23.5 per cent due to higher bad-loan provisions in the banking industry.

Other factors contributed to the impressive corporate earnings. "Corporate results were relatively poor last year, so this year's results look better because they started from a [illegible] base," said Mr Lee Kuen-mo, an analyst at Barings Securities in Seoul.

The absence of labour conflict in most industries also [illegible] to higher earnings. One reason for the [illegible] jump in this year's profits for Hyundai Motor was that a two-month strike depressed earnings a year ago.

The [illegible] listed companies that suffered labour strife this [illegible] reported [illegible]. Kumho, the country's largest tyre maker, recorded a loss of Won12.6bn against a profit of Won4.1bn a year ago because of a strike in June.

Favourable [illegible] also boosted net earnings growth above the rise in operating profits. Interest rates remained stable at 12 per cent during the period, which cut financial costs.

A change in accounting rules also reduced special depreciation charges that had lowered earnings [illegible]. "This [illegible] proved to be of significant benefit to some companies, such as Korea Electric Power," said Mr [illegible] Nam, head of HG Asia Securities in Seoul. The state-owned electricity monopoly had a 62.8 per cent increase in net earnings to Won391.5bn, the highest amount [illegible] listed companies.

Analysts believe that the strong profit growth will continue through the rest of 1994.

Oil prices are stable. Interest rates, although high by international standards, are relatively low for Korea. The Korean won, which is pegged to [illegible] US dollar, is expected [illegible] remain weak against the Japanese yen.

Northam posts loss of R129.7m for first year

By Mark Suzman

Northam Platinum, the South African platinum mine in the [illegible] Fields stable, has reported a loss of R129.7m ($35.2m) for the year to June, its first full year of operations.

[illegible], at 1.15m tonnes milled, was well below expected levels and sales revenue [illegible] to R238.4m against costs of R364.2m. The company, which launched a R850m [illegible] issue in 1992, has also [illegible] up its cash resources as well as most of its R220m loan facility and has had to arrange a further R25m loan to finance its losses.

The poor results were attributed to the mining area being far more geologically unstable than expected. The situation had been aggravated by the presence of high yield water fissures and fracturing to the east of the complex.

Northam is currently carrying out a technical assessment to determine the operation's future viability.

Group of investors takes control of Randgold board

By Mark Suzman in Johannesburg

A group of international [illegible] led by S.G. Warburg, the UK [illegible] bank, yesterday effectively gained management [illegible] Randgold & Exploration, in [illegible] vigorous opposition from the existing directors.

Warburg's sister company, Mercury Asset Management, holds about 25 per cent of Randgold, once one [illegible] South Africa's premier mining finance houses but now among the most troubled [illegible] the country's gold producers.

Three [illegible] ago Warburg launched the management [illegible] bid in conjunction with Fraser Alexander and Rand, [illegible] local mining [illegible].

The Warburg-Fraser [illegible]tium proposed that the board be expanded in order to change the overall strategy of the company.

It also proposed that Randgold should [illegible] shares to acquire First [illegible]gold, [illegible] controlled by Fraser Alexander and which operates the [illegible] Rand [illegible]solidated Mine, for [illegible] ($19m). [illegible] Westgold's management team would join Randgold to help turn it round.

Randgold's chief executive, Mr John Turner, accused the consortium [illegible] under-valuing Randgold and over-valuing First Westgold but [illegible] an extraordinary meeting yesterday shareholders elected 11 [illegible] directors [illegible] the Randgold board by a three-to-one margin [illegible] approved the First [illegible]gold purchase. In doing [illegible] shareholders signalled the demise of Randgold in [illegible] present form.

Randgold was formerly [illegible] mining arm of [illegible] Rand conglomerate before [illegible] latter "unbundled" [illegible] operations in [illegible] then, Randgold has produced consistently [illegible] results from its four marginal mines, all of [illegible] in the [illegible] price.

The management [illegible] bid, [illegible] is very [illegible] in [illegible] normally staid South African corporate world, [illegible] brought about by widespread shareholder frustration with [illegible] company's continuing [illegible] performance.

In April Randgold [illegible] that [illegible] ERPM mine, [illegible] a [illegible] rights [illegible] would not [illegible] in [illegible] prospectus. Then in [illegible] the [illegible] that [illegible] cease underground operations [illegible] Durban Roodepoort Deep mine with [illegible] of nearly [illegible] jobs.

Structured FFr1bn deal for Société Générale

By Tracy Corrigan

[illegible] in the [illegible] market persisted yesterday, though many syndicate managers are expecting a surge in volume in September, as borrowers with large parts of their 1994 funding programmes to complete try to beat the expected fourth-quarter rush.

The only substantial offering yesterday was a FFr1bn three-

INTERNATIONAL BONDS

year structured deal for Société Générale Acceptance, guaranteed by the French bank.

The deal was the first in the French market for almost two months, but does not reflect a return to favour for the French franc sector, since it is a highly structured transaction. However, dealers said that the underlying tone of the market has improved, and some straight bonds in French francs could follow.

The Société Générale deal is aimed at investors who expect interest rates to rise, but to a limited extent. The notes are structured to pay a margin of 50 basis points over the three-month Paris interbank offered rate, with a cap of 9½ per cent (interest does not accumulate when Pibor rises above that level).

With three-month Pibor currently at 5⅝ per cent, and the forward rate for September 1997, the maturity date, currently at around 8 per cent, there is a comfortable cushion for investors, according to lead manager Société Générale.

However, there is no floor, as most investors are not expecting French rates to fall substantially.

Inflation fears hit Treasuries

By Frank McGurty in New York and Antonia Sharpe in London

US Treasury [illegible] were [illegible] back yesterday morning by fresh signs of rising inflation. By midday, the benchmark 30-year government bond was ¾ lower at 100⅜, with the yield rising to 7.454 per cent. At the short end, the two-year note was down ⅛ at 99⅞, to yield 6.192 per cent.

After a late slump in the previous session in the face of surging oil prices, the market stumbled soon after trading began yesterday.

The latest troubling news was contained in the monthly survey of economic conditions conducted by the Federal Reserve Bank of Philadelphia.

Its August report revealed an acceleration of the regional economy, with the overall [illegible] of [illegible] activity [illegible]bing to 13.9, from 11.3 [illegible] month ago.

[illegible] more unsettling [illegible] fixed-rate investors, [illegible] designed to gauge [illegible] prices paid and received by manufacturers were up sharply.

[illegible] the 30-year issue tumbling. Its fresh losses, combined with Wednesday's decline, nearly wiped out the big gains rung up in the hours before and after Tuesday's announcement of a sharp tightening of monetary policy.

GOVERNMENT BONDS

Early on, bonds slipped in response to [illegible] weaker dollar, [illegible] suffered [illegible] setback against the yen after the commerce department revealed [illegible] widening [illegible] US [illegible] Japan to [illegible] in June, [illegible] $4.4bn in May.

■ European government bond markets remained in a skittish mood yesterday following the Bundesbank's decision to keep leading interest rates unchanged. A fall in [illegible] Treasuries and weakness in sterling also undermined bond prices.

[illegible] German central bank also left the repo rate fixed at [illegible] per cent [illegible] another [illegible] weeks. Analysts said the Bundesbank was clearly postponing any decisions on interest rates until the market's nerves were [illegible] frayed.

Mr Richard Reid, chief economist at the Union Bank of Switzerland in Frankfurt, said that in [illegible] of the uncertainty about interest rates and the forthcoming federal elections, it [illegible] that [illegible] Bundesbank would [illegible] with [illegible] fixed-rate repo for another [illegible] to eight weeks.

He noted that the Bundesbank [illegible] no compelling reason to move on interest rates, given the stronger than expected economic data recently and the chances of a disappointing cost of living number next week. Even yesterday's superficially pleasing M3 money supply data for July did not justify [illegible] showed bank lending growth [illegible] its [illegible] level [illegible] months.

"The Bundesbank's stance allows [illegible] review [illegible] situation in [illegible] weeks," [illegible] Mr Reid, but [illegible] markets would be left [illegible] whether this [illegible] a pause before another rate cut or whether it was the end of the current downward trend.

On Liffe, the September bund future traded at 91.65 in the late afternoon, up 0.11 point on the day and off the day's low of 91.08.

■ UK gilts failed to build on the previous day's gains as weakness in sterling worried some dealers. Although recent economic data has given the government ample excuses to leave interest rates alone, they fear that further pressure on the pound, and a poor M0 number for August, could force the government to raise rates as early as September. On Liffe, the September long gilt future fell [illegible] points [illegible] 100½.

Moody's lifts Westpac debt rating to A-1

Moody's [illegible] the long-term [illegible] rating [illegible] Westpac, one the "big four" [illegible] A-1 [illegible] A-2, [illegible] Nikki Tait in Sydney. The [illegible] debt rating was [illegible] improved from [illegible] from A-3. About [illegible] of [illegible].

Moody's [illegible] upgrade [illegible] Westpac's improving [illegible] quality, earnings [illegible] these [illegible] trends [illegible] in [illegible] medium [illegible] by Australia's favourable economic conditions.

Although [illegible] banking [illegible] generally suffered badly during the recent recession, Westpac – with heavy exposures to the property market – was among the worst affected.

CME seat changes hands for a record $850,000

By Laurie Morse in [illegible]

A membership [illegible] Chicago Mercantile Exchange's International Monetary [illegible] for [illegible] 47 per cent [illegible] the [illegible].

[illegible] CME [illegible] at the [illegible] York [illegible] Exchange, [illegible] rising global [illegible] in financial [illegible].

[illegible] prices [illegible] exchange have climbed steadily this [illegible], largely [illegible] world interest rate volatility has more than doubled turnover in the CME's Eurodollar [illegible] and options pits.

As [illegible] exchange's importance [illegible] hedging [illegible] for interest [illegible] rises, international [illegible] which [illegible] slow in obtaining memberships [illegible] now competing [illegible].

Lloyds Bank, [illegible] Bank, and [illegible] Imperial [illegible] Commerce [illegible] all bought CME [illegible] recently. Exchange rules require a bank to own six memberships before it can "clear" or process trades for itself or its customers.

[illegible] prices [illegible] the result of an internal push [illegible] ownership [illegible] the exchange.

[illegible] highly controversial plan [illegible] consolidate [illegible] exchange's [illegible] largest [illegible] and [illegible] governing power from [illegible] of agricultural futures [illegible] to the banks and financial institutions that now generate most of the CME's business.

Study criticises Bank approach to repos

By Conner Middelmann

The [illegible] of England's approach to a domestic securities repurchase market is misconceived, argues a study on the role of derivatives in Europe's securities markets, commissioned by the International Securities Market Association (ISMA), the Zurich-based trade association.

The Bank's "policy of restricting access to repos in order to subsidise the gilt market-makers" restricts the ability of other derivatives operators to hedge positions. "Their ability to hedge in the cash market is greatly reduced and they are forced to operate in the gilt futures markets when, on occasion, it might be more appropriate to use an underlying gilt-edged bond as a hedging instrument."

In a repo operation, holders of securities sell them for an agreed period of time, at the end of which they buy them back at an agreed price. The report emphasises that cash securities markets, derivatives on securities and securities lending markets form an "indissoluble triangle".

Where minimum reserve requirements prohibit a repo market, as in Germany, the volume of derivatives business means the repo market must exist elsewhere, the report states. Bundesbank restrictions [illegible] for bunds, which [illegible] "explosive" growth largely attributable [illegible] derivatives activity, [illegible] London.

Authorities' neglect [illegible] rities lending may pose systemic risk to the financial system, argue the authors of the report, Professor Brian Scott-Quinn and Mr Julian Walmsley of the University of Reading.

"It could be argued that the [illegible] risk in [illegible] from irresponsible action from governments [illegible] understand the complex [illegible] cash, [illegible] lending/repo and [illegible] markets," the report states.

The study also identifies a regulatory problem emerging in connection with over-the-counter equity derivatives.

[illegible] majority [illegible] conducted by [illegible] rather [illegible] securities houses, stock exchange authorities in [illegible] European countries [illegible] of the trades, which [illegible] reported [illegible] banking [illegible] study states.

[illegible] result, there [illegible] a danger [illegible] trades which [illegible] normally be conducted in the cash equity market might be deliberately channelled through the OTC market to avoid being caught by the reporting requirements of the usual regulatory bodies.

Restrictions on foreign shareholdings and insider dealing could [illegible] be circumvented by means of derivatives.

"Derivatives in the Context of a Single European Securities Market" [illegible] from [illegible] 4222

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		[illegible]	Red Date	[illegible]	Day's [illegible]	[illegible]	Week ago	Month ago
Australia		[illegible]	09/04	96.1800	[illegible]	9.28	[illegible]	[illegible]
Belgium		[illegible]	[illegible]	92.6300	-0.670	[illegible]	8.24	7.89
Canada *		6.500	[illegible]	84.0500	-1.150	8.98	9.03	9.18
Denmark		7.000	12/04	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	BTAN	8.000	05/98	[illegible]	-	7.31	[illegible]	[illegible]
	OAT	5.500	[illegible]	84.4300	-0.730	7.86	7.75	7.26
Germany Bund		6.750	05/04	96.6000	+0.080	7.21	7.20	6.80
Italy		8.500	04/04	81.7000	-0.300	11.72†	11.26	10.44
Japan	No 119	[illegible]	[illegible]	109.3070	+0.360	[illegible]	4.00	[illegible]
		4.100	12/03	96.6390	[illegible]	[illegible]	[illegible]	4.34
Netherlands		6.750	01/04	90.2000	[illegible]	7.22	7.21	6.82
Spain		8.000	[illegible]	81.6500	-0.350	11.17	[illegible]	10.36
UK Gilts		6.000	[illegible]	90-11	-12/32	8.41	8.42	7.87
		6.750	11/0[illegible]	87-02	-22/32	8.57	8.57	8.24
		9.000	10/08	102-18	-26/32	8.68	8.72	8.35
US Treasury *		7.250	08/04	100-00	-27/32	7.25	7.35	7.24
		7.500	11/24	100-13	-30/32	7.46	7.54	7.55
ECU (French Govt)		6.000	04/04	84.3600	[illegible]	8.42	[illegible]	7.70

London closing, *New York [illegible] Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal Source: MMS International

US INTEREST RATES

Lunchtime — Treasury Bills and Bond Yields

Prime rate	7¾	[illegible]	[illegible]	Two year	[illegible]
Broker loan rate	[illegible]	Two month	[illegible]	Three year	6.51
Fed.funds	[illegible]	Three month	[illegible]	Five year	6.87
Fed.funds at intervention	-	Six month	[illegible]	10-year	7.21
		[illegible]	[illegible]	[illegible]	[illegible]

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	[illegible]	[illegible]	[illegible]	High	Low	Est. vol.	Open int.
Sep	[illegible]	113.32	-0.90	114.28	113.04	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	113.18	[illegible]	[illegible]	[illegible]
Mar	112.54	111.84	[illegible]	112.54	[illegible]	[illegible]	[illegible]

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Sep	Calls Dec	Calls Mar	Puts Sep	Puts Dec	Puts Mar
113	[illegible]	2.19	2.40	0.60	2.50	-
114	0.44	1.80	-	1.03	3.20	-
115	[illegible]	1.29	-	1.64	3.60	-
116	0.05	0.90	-	2.68	-	-
117	0.02	0.64	-	3.64	5.05	-

Est. vol. total, Calls 39,830 Puts 75,554 . Previous day's open int., Calls 374,245 Puts 344,548.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	[illegible]	[illegible]	[illegible]	Low	Est. vol	Open int.
Sep	[illegible]	[illegible]	+0.13	[illegible]	91.08	[illegible]	[illegible]
Dec	[illegible]	90.92	+0.15	[illegible]	90.25	[illegible]	26400

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Sep	Calls Oct	Calls Nov	Calls [illegible]	Puts [illegible]	Puts Oct	Puts [illegible]	Puts [illegible]
9150	[illegible]	0.71	[illegible]	1.20	0.37	1.39	1.70	1.86
9200	[illegible]	0.62	0.81	0.96	0.63	[illegible]	1.99	[illegible]
9250	[illegible]	[illegible]	0.64	0.79	[illegible]	[illegible]	2.32	[illegible]

Est. vol. total, Calls 19676 Puts 19849. Previous day's open int., Calls 280623 Puts 281521

■ NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE)* DM250,000 100ths of 100%

	Open	[illegible]	[illegible]	[illegible]	Low	Est. vol	Open int.
Sep	-	96.91	-0.01	-	-	[illegible]	76

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	[illegible]	[illegible]	High	[illegible]	Est. vol	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	59852	86773
Dec	[illegible]	[illegible]	-0.39	96.10	95.00	6642	5791

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

[illegible] Price	Calls Sep	Calls Dec	Puts Sep	Puts Dec
9650	0.98	2.42	0.51	3.45
9700	0.68	2.18	0.73	[illegible]
9750	0.44	1.95	0.99	3.98

Est. vol. total, Calls 2367 Puts 3252. Previous day's open int., Calls 36346 Puts 34737

Spain

■ NOTIONAL SPANISH BOND FUTURES [illegible]

	Open	Sett price	Change	High	[illegible]	Est. vol.	Open int.
Sep	87.00	[illegible]	-0.37	87.25	86.15	72,940	[illegible]
Dec	85.70	[illegible]	-0.47	85.70	85.31	118	1,661

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Est. vol	Open int.
Sep	101-11	[illegible]	-0-22	101-16	[illegible]	75399	[illegible]
Dec	101-01	[illegible]	[illegible]	[illegible]	[illegible]	1527	[illegible]

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

[illegible]	Calls Sep	Calls Dec	Puts Sep	Puts Dec
100	1-00	2-47	0-26	2-29
101	0-30	2-15	0-56	2-61
102	0-11	1-52	1-37	3-34

Est. vol. total, Calls 4936 Puts 5893. Previous day's open int., Calls 72186 Puts 61236

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	81.84	81.24	-0.72	81.90	81.10	759	6,789
Dec	-	[illegible]	[illegible]	-	-	-	281

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	[illegible]	[illegible]	[illegible]	[illegible]	Low	Est. vol.	Open int.
Sep	103-28	103-16	-0-19	103-30	103-14	335,745	344,809
Dec	103-04	102-23	-0-20	103-05	102-21	18,846	98,539
Mar	102-02	102-01	-0-17	102-03	102-01	40	[illegible]

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND [illegible] (LIFFE) Y100m 100ths of 100%

	Open	[illegible]	Change	[illegible]	[illegible]	[illegible]	Open int.
Sep	108.12	-	-	108.34	[illegible]	[illegible]	0
Dec	107.10	-	-	[illegible]	[illegible]	[illegible]	0

* LIFFE contracts traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Thu Aug 18	Day's change %	Wed Aug 17	[illegible]	xd adj. ytd		Low coupon Aug [illegible]	Low coupon Aug 17	Low coupon Yr. ago	Medium coupon Aug 18	Medium coupon Aug 17	Medium coupon Yr. ago	High coupon Aug [illegible]	High coupon Aug 17	High coupon Yr. ago
1 Up to 5 years (24)	120.41	[illegible]	[illegible]	2.03	[illegible]	5 yrs	[illegible]	[illegible]	[illegible]	[illegible]	8.50	6.53	[illegible]	[illegible]	[illegible]
2 5-15 years ([illegible])	139.57	-0.72	[illegible]	1.81	[illegible]	15 yrs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.30	[illegible]	[illegible]	7.53
3 Over 15 years (9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	20 yrs	8.54	[illegible]	7.26	[illegible]	8.60	[illegible]	8.62	8.69	7.55
4 [illegible] (6)	[illegible]	-1.43	[illegible]	3.17	[illegible]	Irred.†	8.63	8.60	[illegible]						
5 All stocks (60)	[illegible]	[illegible]	[illegible]	1.95	[illegible]										

Index-linked							Inflation 5% Aug [illegible]	Inflation 5% Aug 17	Inflation 5% Yr. ago	Inflation 10% Aug 18	Inflation 10% Aug 17	Inflation 10% Yr ago
6 Up to 5 years (2)	[illegible]	-0.15	[illegible]	0.48	[illegible]	Up to 5 yrs	[illegible]	3.58	[illegible]	2.46	[illegible]	1.79
7 Over 5 years (11)	[illegible]	[illegible]	173.51	0.65	3.46	Over 5 yrs	3.78	[illegible]	[illegible]	3.68	3.58	3.09
8 All stocks (13)	173.68	[illegible]	173.90	0.63	[illegible]							

Debentures and Loans						5 year Aug [illegible]	5 year Aug 17	5 year Yr. ago	15 year Aug [illegible]	15 year Aug 17	15 year Yr. ago	25 year Aug 18	25 year Aug 17	25 year Yr. ago
9 Debs & Loans (75)	126.12	-0.79	[illegible]	3.09	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.56	8.14	9.59	9.49	8.27

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Aug 18	Aug 17	Aug 16	Aug 15	Aug 12	Yr ago	High*	Low*
Govt. Secs. (UK)	91.24	91.98	91.37	91.11	91.17	[illegible]	107.04	90.89
Fixed Interest	109.37	[illegible]	[illegible]	109.13	[illegible]	[illegible]	[illegible]	107.33

* for 1994. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Aug [illegible]	Aug [illegible]	Aug 15	Aug [illegible]	Aug 11
Gilt Edged bargains	98.0	75.5	78.8	84.8	118.2
5-day average	90.2	87.0	[illegible]	[illegible]	98.1

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on August 18

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS; YEN STRAIGHTS; OTHER STRAIGHTS; DEUTSCHE MARK STRAIGHTS; FLOATING RATE NOTES; CONVERTIBLE BONDS — [illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. [illegible] CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. [illegible]

UK GILTS PRICES

	Notes	Yield Int	Yield Red	Price £	+ or −	1994 High	1994 Low
Shorts" (Lives up to Five Years)							
Treas 9pc 1994‡‡		[illegible]	5.39	100⅛		[illegible]	100⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treas 11½pc 2001-4		10.26	9.03	112⅛xd	-⅜	129[illegible]	110⅞
Funding 3½pc 1999-4		4.84	7.53	72⅜	-⅜	[illegible]	71⅛
Index-Linked							
2pc '96			3.71	193[illegible]xd	-⅛	200[illegible]	192[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Five to Fifteen Years; Over Fifteen Years; Undated; Other Fixed Interest — [illegible]

• "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds.

[illegible]

COMPANY NEWS: UK

Recovery boosts Dawsongroup

By Simon Davies

Dawsongroup, [illegible] truck and trailer rental company, yesterday revealed a 41 per [illegible] increase in interim profits, as economic recovery was translated into significantly higher utilisation rates for its fleet.

Pre-tax profits amounted to £5.02m for the six months to June 30, up from £3.55m, on turnover ahead 14 per cent to £28.2m (£24.8m), reflecting the high proportion of fixed costs which means that [illegible] sales feed more directly into profits.

Profits from rentals [illegible] by [illegible] to £4.9m (£3.36m), [illegible] utilisation of the [illegible] fleet rose from [illegible] to [illegible] per cent, and [illegible] were pushed up by [illegible].

Trailer utilisation [illegible] from 81 per cent to [illegible] per cent, and [illegible] by [illegible]. There [illegible] an [illegible] profit [illegible] of [illegible] vehicles, although management [illegible] such [illegible] would slow in [illegible] half.

The company's performance was skewed [illegible] short-term leasing contracts, but [illegible] increasing emphasis on contract hire (of one year or longer) to improve earnings stability.

Commercial sales, primarily from [illegible] Volvo truck [illegible] ship, [illegible] a reduced profit [illegible] (£191,000), [illegible] comparable [illegible] used vehicle proceeds. On a like-for-like basis, profits were up 19 per cent.

Gearing at the interim stage stood at 118 per cent. However, capital spending will more than double to £26m in the second half.

From left to right: Tony Frendo, non-executive chairman, Clive Gear, finance director and Michael Williams, chief executive

[illegible] group has just completed its first acquisition, in the form of the £5.26m (including debt repayment) purchase of Morgan Varylease, a vehicle and trailer rental [illegible]. Gearing is expected to rise to about 170 per cent by the year end.

Further [illegible] come in Europe, where expan[illegible] opportunities are being sought.

Earnings per share were 10.8p (7.7p). An interim [illegible]dend [illegible] 1.8p [illegible] is [illegible].

● COMMENT

Vehicle leasing is a business where success depends upon the management and its control structures, and Dawsongroup has demonstrated a solid formula. It has a substantial fleet with an average truck age of only 20 months, and has successfully expanded product lines. It also boasts the rarity of never suffering overall losses from asset disposals. High operational gearing and solid management justify a premium p/e of 17.5, based on a 1994 profits forecast of £10m; but there appears to be little [illegible] in the [illegible].

Kermans retain hold on Bristol Scotts

By Roland Adburgham, Wales and West Correspondent

Attempts to loosen the Kerman family's grip on Bristol Scotts, the property and leisure group, were unsuccessful at its annual meeting yesterday.

[illegible] of the [illegible] directors are family members, but Mr Anthony Kerman, whose re-election as chairman was not opposed, disputed claims by two shareholders that there were too many Kermans on the board.

Bristol Scotts has had what its chairman acknowledged was "a [illegible] time" in recent years, although it was now in [illegible] much better position. It made heavy losses on Scotts restaurants, acquired [illegible] years ago, suffered from the property recession, and in February there was a fire at its Bristol greyhound stadium. There is also a dispute over ownership of a share stake.

The group incurred pre-tax losses of £246,073 in 1993, reduced from the previous year's £2.58m. It has now closed its restaurants division, which lost £637,890 last year.

"We've got rid of all our lossmaking businesses, reduced debt and hope to look forward to better times ahead," Mr Kerman said.

Mr Colin Forsyth, a shareholder, said Scotts had been acquired despite [illegible]on and, now it had closed, it would be better "if certain Kerman members were to [illegible]." Mr [illegible] Kerman is deputy chairman and Mr Isidore Kerman, who is in his late 80s, a non-executive director. The chairman himself was not a board member at the time of the Scotts acquisition.

The family owns about a third of the shares. Sir Ian Rankin, who became a non-executive director in December, described it as "a private company to all intents and purposes" and said he wanted the shareholdings expanded. "The company has got to change from its minute size to something substantial."

It was agreed to change the company's name to BS Group.

Wills plans A$99m asset pay-out to shareholders

By Nikki Tait in [illegible]

[illegible] Wills, the Australian [illegible] group in which BAT [illegible] holds a [illegible] stake, [illegible] to [illegible] a substantial portion [illegible] to [illegible] shareholders, by way [illegible] special [illegible] hand-out.

Assuming the plan [illegible] approved at an extraordinary general meeting [illegible] month, [illegible] said it would return [illegible] to [illegible] equivalent to 75 [illegible] per ordinary share. At [illegible] June, [illegible] net [illegible] A$364m, [illegible] the payment [illegible] than a quarter of [illegible] company's [illegible] worth.

The [illegible] continues the [illegible] whether companies [illegible] generate large amounts [illegible] cash [illegible] in mature, [illegible] declining industries, [illegible] tobacco, [illegible] to [illegible] opportunities, or should simply return the money [illegible] their investors.

[illegible] one hand, it [illegible] argued that returning capital [illegible] shareholders shows lack [illegible] management imagination. [illegible] other, proponents of such [illegible] strategy [illegible] that shareholders should be allowed [illegible]. Having [illegible] in [illegible] tobacco company, they should not find [illegible] owning [illegible] company which has [illegible] into food or banking.

Ironically, this argument [illegible] during the [illegible] battle [illegible] BAT during [illegible], when the UK company [illegible] forced [illegible] defend [illegible] strategy of diversifying [illegible] financial services. However, Mr David Leach, [illegible] finance director, [illegible] that he [illegible] not see any incompatibility between Wills' [illegible] decision, which follows [illegible] approach [illegible] recently by Rothmans, and its parent's stance.

Wills, he said, had no intention of diversifying and hence had no use for the surplus [illegible]. [illegible] end-June, [illegible] Australian group had net cash of [illegible], [illegible] the A$99m capital reduction will mean that it takes [illegible] modest borrowings. He added [illegible] "extremely premature" [illegible] whether there would [illegible] further pay-outs in the future.

The payback will [illegible] effected through [illegible] capital reduction. Some [illegible] of Will's [illegible] premium reserve will be used to [illegible] fully-paid [illegible] of the issued shares. The [illegible] payment will not attract [illegible] income tax liability for Australian shareholders, and no immediate capital gains [illegible] liability. However, when [illegible] eventually sell their shares, the base price will [illegible] for capital gains [illegible] calculation [illegible].

Waterglade's board survives on technicality

By Simon Davies

Waterglade International's board of [illegible] yesterday overcame attempts to oust them, by cancelling an extraordinary general meeting on a technicality.

The EGM had been called by rebel shareholders to bring in a new board, but the existing [illegible] been given for the proposals.

The opposing shareholders, led by Mr Winston Ng, claimed to have proxy votes covering more than 41 per cent of Waterglade shares.

Donnington, one of Mr Ng's backers, said: "We have requested assurance from Waterglade's board that, pending the holding of any necessary further EGM, they should maintain the status quo as far as possible." It has already called for another meeting.

The existing management is still negotiating a refinancing package with its bankers, while the new shareholders are proposing an immediate £6m rights issue.

Murray lifts stake in Andrews Sykes to 42%

By Paul Taylor

Mr Jacques Murray, who [illegible] buy-out bid for [illegible] Sykes earlier this week, [illegible] acquired [illegible] further [illegible] specialist industrial [illegible] group. The purchase, [illegible] 50p each, [illegible] his holding [illegible] per [illegible].

Mr Murray [illegible] forced [illegible] launch a full bid under the City takeover code on Wednes[illegible] after European Fire Pro[illegible] Holding, [illegible] private Netherlands-based company which he owns, [illegible] from 29.67 per cent to 37.87 per cent by acquiring 1.17m [illegible] at 50p.

European Fire also acquired 750,000 convertible preference shares, representing 8.26 [illegible] capital.

It [illegible] understood that Mr Murray, who became chairman of Sykes last month, was invited to buy the shares by two institutional investors.

European Fire is offering 50p cash for the outstanding ordinary shares and 12p each for the preference shares. The bid values Sykes at about £8.2m.

The group's ordinary shares closed 6p up at 53p yesterday, while the preference shares, were 9p lower at 38p.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
City Centre Rest	Int	0.45	Oct 11	0.45	-	1.78
Clarke (T)	Int	1.26	Oct 3	1.265	-	1.265
Dawsongroup	Int	1.8	Nov 4	1.5	-	4.5
English/Scottish	Int	0.55	Oct 18	0.5	-	1.75
Kode Intl	Int	nil	-	2	-	6
Moorfield Ests §	Int	0.5	Oct 3	nil	-	nil
Persona	Int	0.68	Nov 30	-	-	-
Richardsons	Int	1.3†	Oct 14	1.3	-	3.2
Syndicate Cap	fin	1.25	Sept 30	-	1.25	-

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock.

Harmony Prop joins main market

Harmony Property yesterday completed its transformation from a pubs and restaurant company into an investment property group by joining the Official List, writes Tim Burt.

Shares in the group, which has acquired a £7.5m portfolio giving income of £750,000 in the past year, closed up ¼p at 9¼p.

Although the company still retains the leasehold on seven pubs and hotels, Mr John Main, chairman, said they did not form part of its long-term strategy. He predicted further property acquisitions, but ruled out investment in "speculative" developments. "We've spent a year turning this company round," he added. "Now we're ready to develop a high-yield portfolio."

Mr Main initiated the transformation last year, after joining from Southend Property Holdings.

BBB Design sues AA and ICL over contract

By Alan Cane and Reg Vaughan

BBB Design Group, [illegible] USM-quoted marketing [illegible] computer [illegible] group, [illegible] yesterday [illegible] it was suing International Computers and the Automobile Association for damages over the cancellation of a contract to supply the AA with a telemarketing support system at its offices in Cheadle Hulme, Greater Manchester.

A provision of £100,000 has been provided in the 1993-94 accounts against litigation and related costs which are expected to be incurred in the short-term.

The announcement came as the group reported pre-tax profits of £138,000 for the year to April 30, compared with a loss of £154,000.

Last year the group announced that with the approval of the AA it had supplied [illegible] its [illegible]tion system jointly with ICL.

Mr Philip O'Donnell, chairman and chief executive, said yesterday "to our astonishment [illegible] February [illegible] by International Computers".

[illegible] the [illegible] were [illegible]plicated [illegible] group [illegible] suing for damages in respect of "breach [illegible] contract, [illegible] of future business and harm caused to the reputation of our product and business".

Mr O'Donnell [illegible] told by ICL in February this year that the AA had cancelled the contract because of [illegible] and technical strategy [illegible] future business needs".

ICL and the AA confirmed yesterday that legal action had been initiated but were unable to comment further.

Turnover was [illegible] (£1.89m). Earnings [illegible] share were 1.94p (1.84p loss).

GPG bid for art company set to succeed

By Terry Hall in Wellington

Guinness Peat Group, Sir Ron Brierley's UK-based company, may soon own a Picasso and an extensive collection of French impressionist, and modern Belgian and Dutch art, if it succeeds in its bid for Dunbar Sloane and European Art, the New Zealand concern which invests in art on a long-term basis.

GPG has steadily increased its shareholding in the company to 31 per cent over the past 18 months. Apart from its art collection, valued at about NZ$12m (£4.66m), Dunbar Sloane has NZ$4m cash.

Mr Dunbar Sloane said he would be accepting the offer, a mix of shares and cash, which values the company at NZ$13.6m. He expects GPG to sell the collection over the next four years as the European art market improves.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Pool purchase price £/MWh (Provisional prices for trading on 18.08.94)	Pool purchase price £/MWh ([illegible] on 22.08.94)	Pool selling price £/MWh
0030	10.70	12.79	15.23
0100	10.70	9.90	9.90
0130	10.70	9.90	9.90
[illegible]	10.70	9.90	9.90
[illegible]	10.70	9.90	9.90
[illegible]	10.70	9.90	9.90
[illegible]	10.70	9.90	9.90
[illegible]	10.70	9.90	9.90
[illegible]	10.70	9.90	9.90
[illegible]	10.60	9.90	9.90
[illegible]	10.93	12.51	14.95
[illegible]	10.93	11.68	14.01
[illegible]	10.93	12.91	15.34
[illegible]	12.19	17.82	20.36
0730	16.65	22.45	24.65
0800	16.65	21.74	24.16
0830	20.01	23.57	26.05
0900	20.05	23.68	[illegible]
0930	20.39	33.23	[illegible]
1000	28.11	33.33	35.90
1030	28.12	33.39	[illegible]
1100	28.13	33.41	[illegible]
1130	31.59	33.47	[illegible]
[illegible]	31.62	[illegible]	[illegible]
[illegible]	31.39	[illegible]	[illegible]
[illegible]	31.32	[illegible]	[illegible]
[illegible]	20.02	[illegible]	[illegible]
[illegible]	20.01	[illegible]	[illegible]
[illegible]	20.01	[illegible]	[illegible]
[illegible]	17.81	[illegible]	[illegible]
[illegible]	17.81	21.85	[illegible]
[illegible]	17.81	22.45	[illegible]
[illegible]	17.81	22.45	[illegible]
[illegible]	17.81	22.45	[illegible]
[illegible]	17.81	22.45	[illegible]
[illegible]	17.81	[illegible]	[illegible]
[illegible]	16.65	[illegible]	[illegible]
[illegible]	16.65	20.58	[illegible]
[illegible]	16.65	19.89	[illegible]
[illegible]	13.89	19.89	[illegible]
[illegible]	13.82	19.89	[illegible]
2100	16.65	19.89	[illegible]
[illegible]	19.50	19.89	[illegible]
[illegible]	19.50	19.89	[illegible]
[illegible]	16.35	31.82	[illegible]
[illegible]	16.03	19.89	[illegible]
[illegible]	16.03	[illegible]	[illegible]
[illegible]	13.17	[illegible]	[illegible]

Prices are determined for every half-hour in each [illegible] hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. [illegible]

City Centre 22% ahead despite recent slowdown

By Tim Burt

Buoyant trading at City Centre Restaurants' main subsidiaries – Deep Pan [illegible] and Garfunkels – helped the London-based catering [illegible] lift pre-tax profits by [illegible] cent from £4.76m to [illegible] in first half to end-June.

Although the improvement was flattered by [illegible] gain on property activities, operating profits [illegible] the group's 173 restaurants rose from £4.45m to £4.84m on turnover ahead 7.5 per cent at [illegible] (£45.3m).

Shares in the group, however, fell 2½p to 76p after it [illegible] trading had [illegible] in the [illegible] running up to the period end.

[illegible] James Naylor, [illegible] executive, said diners had been deterred from eating [illegible] by the hot summer weather, [illegible] rail [illegible] World Cup [illegible]

"Forty per cent of our outlets [illegible] in Greater London and they've [illegible] hit hard by the rail strikes," [illegible] added.

Some [illegible] had [illegible] been blighted by [illegible] traffic schemes which prevented customers parking nearby, [illegible] the group had decided [illegible] put [illegible] sites [illegible] the market.

Write-downs of [illegible] on those [illegible] by [illegible] £3.45m gain on [illegible] leaseback [illegible] Square property, which should minimise the [illegible] impact [illegible] the disposals on the company.

Mr Naylor, meanwhile, said the group had opened [illegible] new [illegible] in the first half and would [illegible] 14 [illegible] by the [illegible]

"Our [illegible] strong enough [illegible] 25 [illegible] we could [illegible] more than 250," he said.

Such acquisitions [illegible] likely [illegible] be [illegible] and bank [illegible] which stood [illegible] £23.7m [illegible] the [illegible]

Earnings [illegible] share rose by 7.7 per cent [illegible] 2.1p (1.68p), [illegible] the interim dividend is unchanged [illegible] 0.45p.

● **COMMENT**

City Centre Restaurants is simmering gently. Its combination of Garfunkels, pizzerias [illegible] up-market [illegible] proved [illegible] ideal recipe [illegible] growth, despite the [illegible] slowdown in customer demand. There [illegible] not, however, be enough [illegible] to satisfy the group's hunger for expansion – particularly [illegible] shopping malls, airports and cinema complexes. Nevertheless, the existing business is expected to report full-year profits of £14.2m, excluding [illegible] property gain. The [illegible] – [illegible] forward multiple of 15.8 – are at a 10 [illegible] premium [illegible] market, but they probably [illegible] fair value given [illegible] group's past performance.

HunterPrint raises £1.9m from MBO

By Tim Burt

[illegible] the lossmaking printing [illegible] is selling its only [illegible] subsidiary in [illegible] bid [illegible] debt [illegible]

The Corby-based group [illegible] management buy-out team had agreed to pay £1.85m cash for Hardy Printers, the specialist forms manufacturer which it acquired [illegible] £5.8m seven years ago.

Mr Geoff [illegible] HunterPrint's finance director, said funds from the disposal would be used to cut the group's net borrowings of [illegible]

"We [illegible] determined to reduce our debts and this offer was the best we had," he said.

The disposal follows the sale this year of [illegible] surplus printing site to Associated Newspapers for £1.5m and the group's success in winning a release from [illegible] payments [illegible] £1.5m on [illegible] new press.

Mr Eades admitted that the group's borrowings – incurred largely by [illegible] expansion in the late 1980s – remained unmanageable and ahead of shareholders' funds of £11.8m. Banking facilities have been fully utilised, and he warned that the full-year results would be "very poor".

However, Mr Eades said capacity had been improved and [illegible] would soon start to generate the cash necessary to reduce its borrowings.

The shares, which [illegible] fallen steadily from a high of almost 70p a year ago, closed down 2p at 16p.

High technology, high ambitions

Ionica has plans to challenge BT and Mercury, writes Alan Cane

Growth from technology

Most high technology start-ups suffer their teething pains in decent obscurity. No such luck for Ionica, which next year will challenge British Telecom and a host of new telecommunications operators [illegible] share [illegible] the UK [illegible] tial telephone market.

[illegible] the Cambridge-based company was awarded a licence to provide fixed telephone services in the UK two years ago, it has been subject to minute scrutiny – and a large dollop of scepticism.

Would it be able to raise the necessary funding? Will its radio-based technology prove a match for the more conven[illegible] wire? [illegible] enough telephone users – [illegible] ica says it is looking for one in five of the UK's 20m residential lines – be persuaded to ditch BT and Mercury for a company without track record or international presence?

Mr Nigel Playford, managing director, exudes an air of somewhat puzzled optimism when he reviews the company's progress since 1992. It is unlike any other company in this series, in that it had no option other than to have a grand strategy. "You cannot be a small telco," Mr Playford says, implying that Ionica either reaches its goal of national coverage or goes out of business.

He is puzzled that no competitor came up with a similar approach. It was the first company to apply for a public telecommunications operator's licence after the government decided in 1991 to end the duopoly of BT and Mercury, and was rewarded with 30 megahertz of radio spectrum yielded, it seems, by the Ministry of Defence.

[illegible] business [illegible] increasingly sound. In [illegible] freely competitive environment, Ionica argues, the bulk transport of telephone traffic over long distances is a commodity to be bought at the [illegible] price [illegible] competing carriers.

[illegible] commercial advantage [illegible] lies [illegible] whoever controls the "local loop", the local exchange and the link to the home or office. What about the threat from cable television [illegible] phone operators? Mr Playford [illegible] cost of cable per home passed is [illegible] pounds, compared with only £2 to £3 for [illegible] Cable telephony, furthermore, has to be piggybacked on to television [illegible] economics [illegible] Mobile telephony [illegible] limita[illegible] in [illegible] quality, [illegible] coverage and in penetration of buildings and so on.

[illegible] Ionica will only be successful if it can offer [illegible] service at least as good as BT's and at a better price. It has developed a radio telephony system for the local loop. The prototype is working now, field trials will start towards the end of the year and the service will be launched next year.

Given the intention to concentrate on residential customers and to some extent small businesses, marketing will clearly be [illegible] Mr Playford [illegible] services. The details [illegible] confidential, [illegible] they [illegible] likely [illegible] involve several lines into [illegible] will help resolve family tensions [illegible] of [illegible] telephone," he says, guardedly.

The intention, however, is to avoid the bells and whistles promised by proponents [illegible] "information superhighway". So videoconferencing will be [illegible] possibility, [illegible] there is no [illegible] of offering video-on-demand. There [illegible] no intention, either, of expanding into forms of telephony outside the scope of the licence, although Mr Playford [illegible] with an unnamed [illegible] phone operator [illegible] for [illegible] services.

The technology [illegible] straightforward and [illegible] advantage: [illegible] After [illegible] scepticism, Mercury [illegible] BT [illegible] now showing interest [illegible] for [illegible] loop but they will [illegible] own development [illegible] buy in a solution from another supplier.

Ionica's switches, the heart of the system, are System X bought from GPT. Its subscriber equipment – receiving antennae, electronics to decode the signals and handset – is being manufactured by Northern Telecom, [illegible] Canadian [illegible] through [illegible] partnership agree[illegible] in [illegible] from some [illegible] which [illegible] radio telephony [illegible] answer [illegible] the building [illegible] communications infrastructure. [illegible] companies have already [illegible] technology. The potential world [illegible] hundred of millions [illegible] – which would have a huge [illegible] on [illegible] unit [illegible] turing [illegible]

[illegible] will shortly move into a purpose-built, [illegible] tally sound building on the Cambridge technology park, but it is still tiny, with only [illegible] full-time employees.

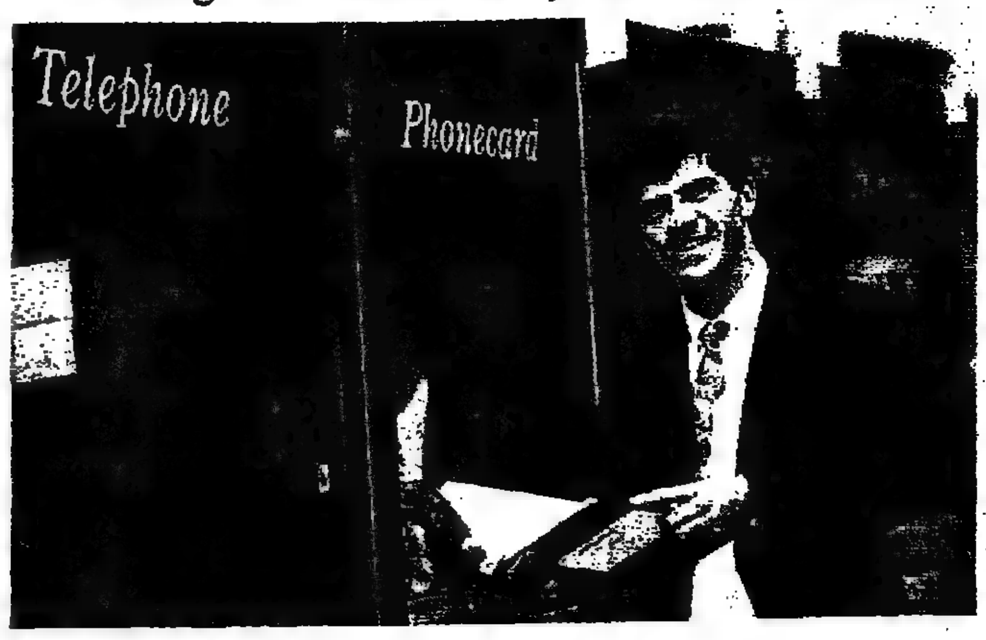
It has, however, raised [illegible] £50m [illegible] initial funding – [illegible] spectacular sum [illegible] start-up – [illegible] large shareholders including Yorkshire Electricity, [illegible] Finland [illegible] Robert Fleming Investment Trust, and [illegible] small [illegible] Mr Playford [illegible] will [illegible] then the operation should [illegible] to [illegible] from [illegible]

[illegible] funds [illegible] be [illegible] from existing shareholders, [illegible] are [illegible] large [illegible] operators [illegible] could [illegible] further equity investment.

Mr Playford says the group is thinking of going public in [illegible] months; by [illegible] time it will [illegible] Ionica is going [illegible] A public [illegible] give its [illegible] the opportunity [illegible] satisfactory exit.

[illegible] as self-as[illegible] point [illegible] arrogance, Mr Playford [illegible] his [illegible] was [illegible] last year by [illegible] that [illegible] would not [illegible] forthcoming. "But you have to believe you can do it," he [illegible]

[illegible] appeared [illegible] August [illegible] August 16.



[illegible] Playford: [illegible] not [illegible] Ionica can be a small [illegible] company

Kode shares halved after loss

[illegible] market value of Kode International [illegible] yesterday following a fall [illegible] pre-tax [illegible] £515,000 in the 26 weeks [illegible] July 1, against profits [illegible]

[illegible] computer services and printed circuit boards maker was also cautious over short-term prospects. The shares fell 37p to 38p.

Turnover was unchanged at £12.3m and there was an exceptional charge of [illegible] relating to the computer services division. Losses per share were 5.5p (earnings 4.3p) [illegible] interim dividend is passed (2p).

DCM Services, the services activity, [illegible] severely affected by the sudden fall in prices in the third party maintenance market in the second half of [illegible]

Kamtronics, which [illegible] pcbs, [illegible] depressed [illegible] following disruption [illegible] principal supplier which had [illegible] impact on profitability [illegible] the first four months. Margins [illegible] beginning to improve.

[illegible] Circuits, [illegible] pcb maker, saw export [illegible] continue [illegible] and profits [illegible] slightly ahead.

NEWS DIGEST

T Clarke ahead to £424,000

T Clarke, [illegible] London-[illegible] electrical contractor, reported pre-tax profits of [illegible] for the [illegible] months [illegible] June 30 – [illegible] year-on-year [illegible] of 54 per cent.

[illegible] jump from last time's £274,464 [illegible] achieved despite turnover reduced [illegible] £21.6m (£32.2m) and a disappointing showing from the conduit and [illegible] distribution [illegible]

[illegible] said [illegible] competition in its traditional [illegible] remained [illegible] but [illegible] company was not prepared [illegible] secure work at "sub-[illegible] prices".

Earnings [illegible] 2.048p (1.265p). [illegible] dividend is 1.26p.

Stanelco £160,000 in loss but optimistic

[illegible] of [illegible] were incurred by Stanelco, the USM-quoted maker and supplier [illegible] high frequency thermal processing equipment, in the [illegible] to February [illegible]

Turnover slipped [illegible] £1.15m, against £1.43m [illegible] time when profits [illegible]

The pre-tax result was [illegible] exceptional [illegible] relating [illegible] move [illegible] larger premises and redundancy [illegible]

[illegible] said [illegible] group had [illegible] through a difficult trading period [illegible] by problems with one large [illegible] which [illegible] now [illegible] the year-end [illegible] in profitability [illegible] benefiting from [illegible] orders.

[illegible] group continued [illegible] for acquisition targets, they said.

The [illegible] rose by ¼p [illegible] 1p.

Richardsons ahead 9% to £1.55m

In difficult [illegible] conditions, Richardsons Westgarth, the steel stockholder and processor, increased [illegible] pre-tax profits by [illegible] per cent from [illegible] to £1.55m.

Sales from continuing operations jumped [illegible] per cent [illegible] £39.4m (£32.3m). [illegible] payable [illegible] similar charges rose [illegible] £174,000 [illegible]

Mr Roger Payton, chairman, said increased tonnage had been achieved in both the general and sheet steel businesses, but margins were under pres[illegible]

The interim [illegible] 1.3p (1.26p), payable from earnings [illegible] share of 3.14p (3.22p).

Moorfield Estates returns to black

[illegible] returned [illegible] the black in the six months to June 30.

The USM-quoted property investment group announced pre-tax profits of £459,000, compared with [illegible] of £244,000, on turnover up from £1.62m to £2.39m.

The improvement was mainly due [illegible] net rental [illegible] against [illegible] while [illegible] cent from £751,000 [illegible] £1.07m.

In April [illegible] via [illegible] placing and [illegible] offer, to help [illegible] purchase of [illegible] properties. A further [illegible] borrowed which, with existing [illegible] completed [illegible] acquisition.

Earnings per share [illegible] 1.01p (losses 2.23p). A dividend [illegible] 0.5p [illegible] declared; the board said it [illegible] to [illegible] similar amount for the [illegible] year.

Syndicate Capital net assets at 88.5p

Syndicate Capital Trust, [illegible] Lloyd's investment vehicle, reported [illegible] net asset [illegible] of [illegible] as [illegible] June [illegible]

The trust, incorporated [illegible] advantage of changes in [illegible] Lloyd's [illegible] admit corporate capital, [illegible] net asset value of [illegible] December 31.

The John Govett-managed trust [illegible] a total premium income capacity [illegible] £60m. At present £30m [illegible] committed to supporting [illegible] syndicates.

Under current Lloyd's accounting regulations, [illegible] the [illegible] first underwriting year – 1994 – will not be [illegible] until [illegible] Until then, the trust's [illegible] solely from [illegible] in capital funds.

[illegible] the period from incorporation to June [illegible] amounted to [illegible] comprising [illegible] deposit [illegible] administration charges and tax, attributable revenue emerged at £423,542, equivalent to earnings of 1.31p per share. A maiden dividend of 1.25p is proposed.

Cheshire Building Society [illegible] £7.89m

Pre-tax profits were [illegible] changed [illegible] Cheshire [illegible] Society in [illegible] six [illegible]

On total income [illegible] (£17.6m) [illegible] provisions of [illegible] (£2.25m) for [illegible] pre-tax [illegible] was [illegible] (£8.1m).

Total assets at [illegible] period [illegible] to £1.39m (£1.31m).

Persona [illegible] 22% advance to £1m

Persona Group, [illegible] networking products distributor which came to the market in April, [illegible] pre-tax profits by 22 [illegible] from £825,000 to £1m in the six months to June 30.

Turnover advanced by 34 per cent to £15m (£11.2m).

Mr Wayne Channon, [illegible] man, said trading had been strong across most of the current brands, with targeted gross margins achieved. Faculty, the training and services side, had outperformed expectations and had gained a substantial market share. It had expanded into central London and planned to open a facility in the north of England.

Earnings improved to 6p (5.3p) and an interim dividend of 0.68p is declared.

مكتب اوفي الأصل

PEOPLE

Item: new chief economist

It may be [redacted] bad sign for the UK economy. The chief economist of the Ernst [redacted] Young Item Club, the only independent UK forecasting group which uses the Treasury model, is heading off to Japan.

Brian Pearce, who will take up a job as an economist at [redacted] Bank Corporation in Tokyo, [redacted] region [redacted] where all the exciting growth opportunities [redacted] appearing."

Pearce's replacement will be Paul Droop, above, an Australian who came to England four [redacted] to join [redacted] Club as an economist, having [redacted] County [redacted]

Droop [redacted] himself as "a product of a neo-classical/neo-Keynesian synthesis" – [redacted] appropriate compromise for [redacted] who suffered [redacted] loyalties of having [redacted] born in Melbourne [redacted] brought up in Sydney.

The Item Club's new chief economist says the UK economy "is at a distinct crossroads. The correct policy choices could bring a sustained period [redacted] prosperity for [redacted] country, the wrong one a rapid return to [redacted] damaging stop-go cycle."

Droop feels it is too early for the Bank of England to be [redacted] interest [redacted] though if the economy continues to grow at its current pace, it should consider a rise to 6 per cent or so around the end of the year.

The Item Club is owned by a number of its members; Baring Brothers, Crown Agents, JP Morgan, OEF and Schroders.

Drury resurfaces in the shipping business

Charles Drury, 53, a veteran of London's boom and bust shipping finance cycles, has resurfaced at Den norske Bank (DnB) as head of a new London-based marine corporate finance unit which will raise equity for over-indebted shipowners.

Norway, unlike Britain, has always had more than its fair share of entrepreneurial shipping figures, and Drury, who has worked at Greig Middleton and NatWest Securities, knows most of them.

DnB is Norway's largest bank and has always been a leading lender to shipping companies around the world.

However, competition for business [redacted] the margins on traditional shipping lending and increased the risks, and, in common with the rest of Norway's banks, DnB is recovering from five years of heavy credit losses.

Hence, DnB is anxious to expand the corporate finance side of its shipping business where the risks are less and the returns considerably higher.

UK merchant banks [redacted] S.G. Warburg have [redacted] raising increasing amounts [redacted] equity [redacted] Norwegian ship[redacted] many [redacted] whom [redacted] traditional clients of DnB. Drury's new operation will raise primary equity in both the public and private markets, advise on mergers and acquisitions and corporate restructuring.

Drury [redacted] one [redacted] the more well-rounded figures in London's [redacted] shipping world. He [redacted] out [redacted] Hambros, has [redacted] director of a successful shipping company, Bulk Transport, and even co-authored a book *Ship finance – the credit crisis*.

He retired from NatWest Securities two years ago in order to set up his own database publishing company.

However, he [redacted] that he [redacted] found [redacted] plan [redacted] "create [redacted] super-highway of transport statistics was beyond his slender management skills" and after toying with another publishing venture he decided to return to his first love, doing deals in the shipping [redacted]

■ Rob Holden, formerly financ[redacted] controller, [redacted] finance [redacted] VSEL in succession to Norman Broadhurst.

■ Malcolm Hall has been promoted to chief financial officer [redacted] Walkers [redacted] Snack Foods, [redacted] UK [redacted] of PEPSICO.

■ David Main, formerly md [redacted] the UK operations [redacted] BOC's Ohmeda, has [redacted] appointed [redacted] CLINICAL COMPUTING.

Crockfords bets on Woodcock

One of Britain's top casinos has recruited one of Britain's top bobbies to keep an eye on things.

Sir John Woodcock, [redacted] a former chief inspector of constabulary, is joining the board of Crockfords, owners of one of London's most profitable casinos.

Crockfords, which [redacted] to the stock market last year through a reverse takeover of TV-am, is keen to be regarded as [redacted] blue chip company in the gambling sector. Sir John's appointment as a non-execu[redacted] director [redacted] designed to help fulfill this ambition.

He is [redacted] former chief constable [redacted] both North Yorkshire and [redacted] Wales and was [redacted] principal advisor on policing matters to the Home Secretary between 1990-93.

The Home Office has always taken [redacted] interest in Britain's gaming industry because of concerns that the huge sums of cash passing over casino tables would attract criminal elements.

Gary Nesbitt, 51, Crockford's chairman, said that [redacted] John will bring the number of [redacted] to five and thus mean that [redacted] non-executives are in [redacted] majority on his board.

BODIES POLITIC

■ Christopher Millard, [redacted] partner of Clifford Chance, has [redacted] president [redacted] INTERNATIONAL FEDERATION OF COMPUTER [redacted]

■ John Orange, chief execu[redacted] of BP Oil UK, [redacted] appointed president [redacted] UK PETROLEUM INDUSTRY ASSOCIATION.

■ Tony [redacted] has been appointed the [redacted] director of the CHEMICAL INDUSTRIES ASSOCIATION.

■ Simon Bullimore, UK md of Mars Confectionery, has been [redacted] president [redacted] the INCORPORATED SOCIETY OF BRITISH ADVERTISERS.

■ Alan [redacted] national VAT partner with BDO Binder Hamlyn, has been elected national chairman of the VAT PRACTITIONERS' GROUP.

■ David Steels, marine manager with Sun Alliance International, and Trevor Hart, Lloyd's underwriter, have [redacted] appointed chairman and deputy chairman [redacted] SALVAGE [redacted]

■ Richard Gamble, [redacted] Royal Insurance, has been appointed chairman [redacted] the POLICYHOLDERS [redacted]TECTION BOARD.

■ Reg Brown, [redacted] director [redacted] Octavian Group, [redacted] Hamish Ritchie, chairman of Bowring, Marsh & McLennan, have been elected president and deputy president of The INSURANCE INSTITUTE OF [redacted]

■ John Wybrew, chairman of Windsor Life, has [redacted] the [redacted] & LIFE ASSURANCE GROUP.

■ Chris Gaskell of the Surprise Novelty Co [redacted] elected [redacted] of the BRITISH TOY IMPORTERS AND DISTRIBUTORS [redacted]TION.

■ Richard Duggan, chairman of the Crosfield Group, is [redacted] seconded by Unilever to the DTI as [redacted] industrial [redacted] innovation.

■ Beverley Webster, md of [redacted] Machine Co, [redacted] been elected [redacted] of [redacted]CIATION OF BRITISH MINING EQUIPMENT COMPANIES.

■ David Bingham, md [redacted] Caunton Engineering, [redacted] president of the BRITISH CONSTRUCTIONAL STEELWORK [redacted]TION.

■ Brian Pearce, chairman [redacted] Pearce Signs Group, has been elected pres[redacted] LONDON CHAMBER OF COMMERCE AND INDUSTRY.

■ Sir Graham Day, originally a Canadian lawyer but more recently chairman of the Rover Group, Cadbury Schweppes and PowerGen, has been [redacted] a consultant [redacted] ASHURST MORRIS CRISP.

■ Roderick Paul, group chief executive of Severn Trent, is appointed chairman of BRITISH WATER, following the resignation of Adrian White.

PROPERTY

Window shopping

Russell Schiller examines rising investment interest in European retail centres

Cross-border property investment grew rapidly in the late 1980s in the UK, but the focus was mainly on city-centre offices rather than shopping centres. Two recent deals suggest that this trend may be changing.

First, the Australian Lend Lease company stepped in as lead investor and developer of the proposed Bluewater Park regional shopping centre near Dartford in south-east England. Although the source of much of the money invested is British, Lend Lease, with a large portfolio of shopping centres in Australia and America, will be driving the development.

Second, was the [redacted]ment that Pillar Properties, now successfully floated, had set up a £250m joint venture with SITQ, the [redacted] public pension fund in Canada, [redacted] invest in UK shopping centres.

[redacted] two deals, both concluded in June, are remarkable for their scale, and are just the latest in an accelerating number of investments in UK shopping centres by overseas funds.

According to Hillier Parker, surveyors, between 1991 and the first half of this year, 138 deals were concluded involving interests in Britain's 763 shopping centres; [redacted] means that [redacted] 1991 there have been ownership changes in 18 per cent of UK shopping centres.

Many of these deals involved joint ventures or transfers of [redacted] than 100 per cent of the equity. [redacted] it is a remarkable [redacted] activity during a period when the property market was in the trough of [redacted] in 60 years.

The number and scale of the deals also reflects a degree of liquidity which exceeds continental Europe's and is fast approaching that of the US.

This investment activity in shopping centres has gathered pace over the past 12 months [redacted] has opened [redacted] a previously unexplored property investment [redacted] which have [redacted] enthusiastically.

Eleven deals since 1991 have involved overseas buyers, with four exceeding £50m in value. The Netherlands-based fund Waxy, a subsidiary of the Swedish LF Insurance Group, heads the list with four deals valued at between £5m and £25m. Another active player has been the US fund Dusco, which is a vehicle for American, British and other institu[redacted] investment. Nearly half [redacted] deals involving [redacted] institutional [redacted] conducted with [redacted] joint venture partners.

This unprecedented opportunity for continental European and US investors to snap up shopping centres in the UK has arisen because UK institutions have, for the first time, been prepared to sell. Last year, overseas groups emerged as significant buyers of UK shopping centres; insurance companies and pension funds were net sellers. Some 70 per cent of overseas purchases by value in 1993 were from institutional sellers.

In the first six months of this year, UK institutions returned to the market as net buyers and it was scarcely surprising that foreign purchases fell.

Investors, particularly insurance and pension funds, are nervous when buying property abroad. Institutions prefer to deal with a similar body in the host country, and particularly welcome a joint venture where ownership and risk are shared and where the host group oversees property management.

The combination of a greater willingness to sell on the part of UK investors, and [redacted] interest on the part of overseas funds, means that cross-border [redacted] activity [redacted] shop[redacted] centres is [redacted] to grow, both in Britain and the continent.

Funds from France and the [redacted] head the continental European interest, while [redacted] funds specialising in shopping centres, such as O'Connor and La Salle, have also been notable investors. La Salle recently set up a joint venture with the UK's Grosvenor [redacted]

The next step in the development [redacted] an international investment sector for shopping centres could be the emergence of a robust market in continental Europe, which has consistently lagged the UK. Many in the industry believed the introduction of the European single market in 1992, which lifted investment barriers between the [redacted] members of the European Union, would speed [redacted] the development of such a market.

But [redacted] sooner had the process started than the recession [redacted] hold, pushing many Euro[redacted] property markets into [redacted] downturn. Values now appear to [redacted] bottoming on the continent and this could trigger investment interest, just [redacted] in Britain [redacted] year [redacted] the market emerged [redacted]

With [redacted] European property [redacted] showing [redacted] the likelihood is that continental investors will spread their investments in [redacted] national shopping centre markets. This already hap[redacted] where [redacted] home market [redacted] small [redacted] as in [redacted] Netherlands and [redacted]

For [redacted] truely liquid [redacted]der market [redacted] stages must be successfully negotiated.

The [redacted] – [redacted] construction of a [redacted] cen[redacted] either by [redacted] developer or [redacted] hypermarket operator, and then the sale [redacted] the [redacted] to [redacted] institution [redacted] the [redacted]try, usually [redacted] com[redacted] – [redacted] at [redacted] advanced stage.

The third [redacted] when home [redacted] are prepared [redacted] their investments, which [redacted] market is currently poised.

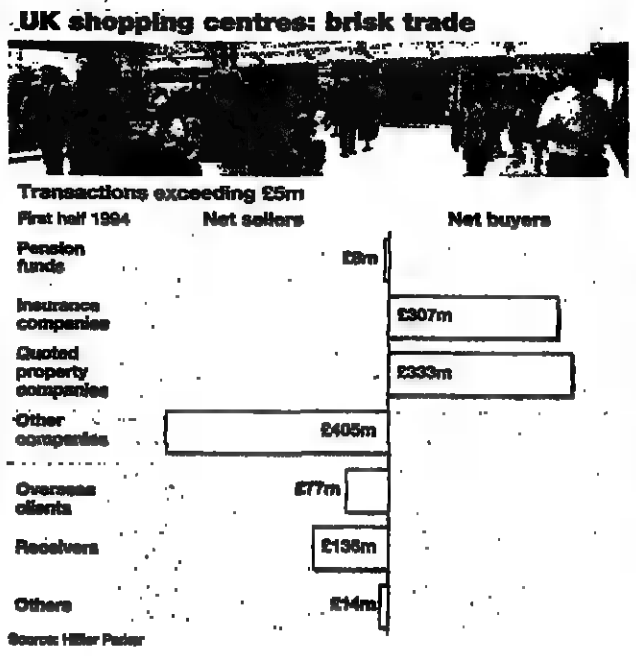
In continental Europe, only France equals Britain in [redacted] number [redacted] shopping [redacted] and France [redacted] three times [redacted] shopping [redacted] floor space than Spain [redacted] Germany, [redacted]tively third and fourth in Europe's shopping [redacted] market by size.

[redacted] result, market activity [redacted] likely [redacted] continue to [redacted] Britain and France. In [redacted] Europe [redacted] emphasis is on [redacted] development. A growing number of schemes [redacted] Italy, Spain and Portugal are looking to attract foreign capital, both debt and equity.

In the short-term, it will probably be [redacted] for a cross-border investor to find an outlet by funding a development in southern Europe, rather than buying existing centres, say, in Britain or France. By 2000, the European shopping centre market should be both liquid and international.

The author is head of research at Hillier Parker, surveyors

UK shopping centres: brisk trade



Source: Hillier Parker

COMMODITIES AND AGRICULTURE

Revised figures show stronger demand for zinc

By Kenneth Gooding, Mining Correspondent

Demand for zinc, a metal used mainly by galvanised steel producers and in castings for the automotive and building industries, has been much more buoyant so far this year than it was previously believed.

According to the London-based International Lead and Zinc Study Group, an intergovernmental organisation, [illegible] consumption in the first half of 1994 was 2.2 per cent ahead of that for [illegible] same months last [illegible] 2.798m tonnes. A month [illegible] the ILZSG reported that consumption in the first five months was down by 1.3 per cent from the 1994 level [illegible].

The study group said yesterday that it had [illegible] hefty revision [illegible] it now had [illegible] reliable [illegible] the US where zinc consumption growth was much stronger than expected in [illegible] half. Also, demand in Europe had [illegible] rather than making the anticipated slip downwards.

The [illegible] that output of refined zinc outside for former communist bloc in the first half was below demand – but still rising. It was 1 per cent above the 1993 first-half at 2.752m tonnes.

However, eastern bloc exports, particularly from China, were causing the zinc market real damage, suggested Mr Nick Moore, analyst at Ord Minnett, an affiliate of Jardine Fleming,pointed [illegible] that last year Chinese zinc exports rose to a record 148,000 tonnes, an 85 per cent jump from the 80,000 tonnes exported in 1992. "This [Chinese] zinc has been homeless [illegible] has bloated London Metal Exchange stocks to all-time record levels of 1.223m tonnes," he said. "A dramatic supply [illegible] development," [illegible] closure, [illegible] essential for [illegible] sustained recovery in the zinc price.

Mr Jim Lennon, analyst at Macquarie, [illegible] Australian bank, said, however, that, the zinc price seemed unlikely to go much lower as good European buying emerged any time it dipped to $950 [illegible] tonne. Last night zinc for delivery in three months closed on the LME at $969.50, up $5 a tonne.

● Legislation is to be passed to prevent the US Defence Logistic Agency disposing of any more zinc from its stockpile – except to other governments – between October and April. Producers have voiced concern about DLA sales of up to 50,000 tonnes [illegible] year.

LCE coffee futures rally after early plunge

By Richard [illegible]

London coffee futures followed New York prices down [illegible] then up again yesterday as speculators continued to call the tune in thin markets.

Follow-through selling after an overnight plunge at New York's Coffee, Sugar [illegible] Cocoa Exchange wiped [illegible] what remained [illegible] rally in early trading at the London Commodity Exchange.

The November delivery position, which had fallen $75 the previous day, opened at $3,265 [illegible] tonne, [illegible] below [illegible] day's close, [illegible] slipped another [illegible] selling dried up.

By the close it was back up to $3,340 [illegible] tonne, but that was still $26 down on the day.

[illegible] said it was the withdrawal of [illegible] of buyers that turned [illegible].

■ Colombia exported [illegible] bags (60kg each) of coffee in [illegible] months [illegible], according [illegible] figures from Quintero [illegible] company [illegible] National Cof[illegible] col[illegible], reports [illegible] from [illegible].

The figure was sharply down from the 7.133m bags exported in the corresponding period of 1993.

Price rises brighten outlook for NZ wool

Auction returns yesterday reached the highest level for 27 months, writes Terry Hall

New Zealand wool growers are looking forward [illegible] future with [illegible] following [illegible] rise in prices to 27-month highs yesterday. With [illegible] to outstrip supply [illegible] market uptrend [illegible] expected to be maintained over the next two years.

Declining sheep numbers in the country, [illegible] biggest producer of carpet wools, are expected to lead to production this season falling to its lowest level for nearly 20 [illegible], while supplies will be further reduced as the Wool Board, now [illegible] of [illegible] Zealand, sells the last of its stockpile.

[illegible] brokers [illegible] that [illegible] growing appreciation of [illegible] ing availability of [illegible] land's coarser type wools has been [illegible] major factor in the market strength of recent weeks.

[illegible] indicator at yesterday's North and South Island auctions reached NZ$5.18 (£2) a kilogram, up six cents from last week. When the season began three weeks ago it stood [illegible] $4.87.

Mr Patrick Conway an analyst with [illegible] land said yesterday [illegible] there [illegible] be disappointment [illegible] Zealand did [illegible] an [illegible] price [illegible] this season in the $4.75 to $5 a kilogram [illegible] compared with only [illegible] to [illegible].

Mr [illegible] Hall [illegible] Brooksbanks and Company, a German-owned export house, thought , however, [illegible] the outlook [illegible] rising prices in the immediate future, there were grounds for caution on [illegible] they [illegible] on rising at recent rates. He pointed out that many of the major buyers over the last [illegible] years, including India, Nepal, Iran and Turkey, now [illegible] serious financial and [illegible] problems, while [illegible] were question [illegible] buying power [illegible] China, which takes the bulk of the clip.

Nevertheless, Mr Hall noted that a lot of [illegible] was being done with buyers from Europe, the US, Japan and China, much of it for delivery some way in the future. He saw that as an indication of overseas confidence that recent higher prices would be sustained over the next five to [illegible] months.

Mr Conway [illegible] an analysis by [illegible] Zealand [illegible] the [illegible] wool available for [illegible] in the current season would be the lowest since the 1976 season.

[illegible] Zealand's production in the 1994-95 season is forecast to [illegible] per cent to 205,000 tonnes. And the board has cut its stockpile from 87,000 tonnes when it was forced to stop supporting the market in 1991 to 21,000 tonnes this week.

Total availability this season is thus indicated at [illegible] tonnes, compared with recent annual consumption of New Zealand wool [illegible] tonnes – [illegible] export [illegible] plus [illegible] tonnes.

"Clearly this level of demand is unable to met from supply [illegible] in the 1995-96 season when all the former board stocks are sold and production is 205,000 tonnes," Mr Conway said.

"If demand remains at the current level, price increases must occur."

He noted that while some [illegible] such as Turkey [illegible] having major economic problems, there were indications [illegible] demand at retail [illegible] in Germany remained very [illegible] for hand knitted carpets from Asia. Retail [illegible] remained high in China, and there were reports that its supplies of wool were low.

"Looking ahead over the rest of the season we expect other markets, such as Europe and Japan to show greater demand, offsetting the difficulties in Turkey and other weak economies," he said. "Overall we see [illegible] demand [illegible] be [illegible] the same level as last season, or perhaps slightly stronger as the major economies [illegible] out of recession."

Releasing figures for the 1993-94 season, Mr Roger Buchanan, Wools [illegible] New Zealand's group manager, fibre technol[illegible] was an encouraging [illegible] per cent, [illegible] NZ$140m increase in sales to NZ$1.285bn. Fibre export sales [illegible] up by 25 per cent to 226,000 tonnes.

Mr Buchanan said the volume increase was mainly due [illegible] sales of wool from the board's stockpile, and a 9 per cent increase in production.

China increased its purchases by [illegible] per cent to [illegible] tonnes, while the combined China/Hong market accounted for nearly one third of New Zealand 's fibre exports. Total shipments this year were more than 72,000 tonnes, a rise of 59 per cent.

Another encouraging feature of the year was the increase in shipments to western Europe – mainly reflecting recovery in the British economy. British mills increased their wool imports by 41 per cent from June 1993 to 23,000 tonnes. There was also keener interest from Germany, Belgium and Italy.

India and Nepal remained important markets, accounting for 29,100 tonnes, up 200 tonnes from last year. Exports to India increased from 11,200 tonnes to 17,200 [illegible], a rise of 54 per cent; but exports to Nepal fell from 17,700 tonnes to 11,900 tonnes. The continuing recession in Japan was reflected in [illegible] remaining significantly below those of earlier years.

Indian mineral production revives

By Shiraz Sidhva in New Delhi

India's mineral production rose by 21 per cent to Rs26.04bn in [illegible] year ending March, 1994, ending a long downward trend, according to figures released by [illegible] Mines, [illegible] government organisation [illegible] Ministry [illegible] Mines.

Coal accounted for Rs12.78bn, or 49 per cent, of the country's total mineral production, excluding atomic and minor minerals. Crude oil accounted for Rs7.61bn, util[illegible] natural [illegible] Rs2.27bn, [illegible] Rs880m, lignite Rs700m, [illegible] Rs470m.

Most important minerals showed gains [illegible] March from [illegible] previous month. Output [illegible] was up [illegible] per [illegible] tonnes, [illegible] per [illegible] 2.6m tonnes, [illegible] gas 14 [illegible] to 1227m [illegible] metres, limestone 14 per [illegible] 7.7m tonnes, iron ore [illegible] per cent to 6m tonnes, lignite 19 per cent to 2.2m tonnes, manganese ore [illegible] per cent to 140,000 tonnes, chromite 12 per cent to 105,000 tonnes, [illegible] 5 [illegible] cent [illegible] tonnes, [illegible] ore 9 per cent to 435,000 tonnes, gold 34 per cent to 234kg, and [illegible] 11 per cent to 30,000 [illegible].

Production [illegible] trates, however, [illegible] 4,160 tonnes, zinc [illegible] 22,317 [illegible] apatite and phosphorite [illegible] per [illegible] each.

China's cotton supply crisis deepens

By Tony Walker in [illegible]

China's cotton production will fall well short of demand this year, according to a recent survey conducted by the country's [illegible] Bureau. The shortfall seems likely to exacerbate chronic supply problems at Chinese mills.

The bureau, which surveyed China's nine main cotton producing areas, concluded that the area planted this year was between 5.26m and 5.55m hectares.

A [illegible] agricultural [illegible] yield about between 4.6m ant 4.7m tonnes, 10 per cent less than the country's domestic requirement. But he also said it was difficult to forecast China's imports, which might be as high as 400,000 tonnes, without details of the extent and condition of its stockpile.

China's cotton sector was plunged [illegible] the [illegible] mills throughout the country [illegible] supplies. An [illegible] in [illegible] price, stockpiling by local authorities and corruption in the state supply system worsened the problem. Dozens of mills were forced to reduce output or stop production altogether, causing lay-offs of thousands of employees.

[illegible] reported [illegible] state purchases [illegible] quarter, indicating [illegible] tinuing supply problems.

Chinese farmers in the [illegible] regions, which [illegible] for the bulk [illegible] production, are also facing [illegible] threat from the boll worm infestation that has wrecked crops in the past [illegible] harvest slumped [illegible] tonnes last year, partly because the boll worm has developed resistance to pesticides.

Cotton mills have been facing dual problems of lack of supply and poor quality cotton, some of which has been adulterated deliberately to increase its weight, according to Chinese media. Newspapers reported recently that to secure a higher price suppliers, including state companies, had added to cotton bails bricks, stones, oil, [illegible] waste, [illegible] husks, glass [illegible] iron chips. [illegible] Daily said [illegible] nation-wide inspection programme in March found that only 55.26 per cent of cotton was usable, down from 78.46 per cent a year earlier.

Mr [illegible] Jin, head of [illegible] agriculture [illegible] department in the Ministry of Internal Trade said the cotton market [illegible] extremely disorderly, [illegible] by panic buying, hoarding and rampant speculation, [illegible] Reuters despatch.

Cotton is the one commodity whose supply and price is still controlled, but the chaos in the [illegible] is unravelling.

[illegible] figures for the first [illegible] imports reached 100,000 tonnes, a 14.8 [illegible] over the [illegible] period last [illegible].

MARKET REPORT

Copper price break-out fails

The failure of the three months delivery COPPER price [illegible] maintain an early afternoon break through [illegible] around $2,420 a [illegible] injected some caution into late [illegible] at the London Metal Exchange.

"[illegible] in [illegible] first [illegible] [organised [illegible] sessions] but [illegible] copper fell [illegible] it brought [illegible] profit-taking and buyers backed off," [illegible] trader [illegible].

[illegible] was again [illegible] busy market [illegible] upward correction [illegible] month's heavy losses.

Three [illegible] ALUMINIUM [illegible] a [illegible] steady advance off support [illegible] around $1,470. Compiled from Reuter

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, [illegible] PURITY ($ per tonne)

	Cash	3 mths
Close	[illegible]	1490-1
Previous	[illegible]	1478-8.5
High/low	1458.5	1492/1481
AM Official	1457-7.5	1486.5-7.0
Kerb close		1485-6
Open int.	272,327	
Total daily turnover	53,134	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1560-60	1570-5
Previous	[illegible]	1570-75
High/low		1575/1570
AM Official	1560-5	1570-5
Kerb close		[illegible]
Open int.	[illegible]	
Total daily turnover	750	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	574.5-5.5	592-3
Previous	567-8	585-6
High/low		[illegible]
AM Official	574-4.5	592-2.5
Kerb close		590-1
Open int.	40,430	
Total daily turnover	6,174	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	5775-85	5860-70
Previous	5610-15	5700-705
High/low		5910/5740
AM Official	5785-95	5870-75
Kerb close		5830-40
Open int.	[illegible]	
Total daily turnover	[illegible]	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5225-35	5300-10
Previous	5185-60	5265-70
High/low		[illegible]
AM Official	5195-200	[illegible]
Kerb close		5280-90
Open int.	17,275	
Total daily turnover	[illegible]	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	[illegible]	969-70
Previous	[illegible]	[illegible]
High/low		970/964.5
AM Official	941-2	964-4.5
Kerb close		967-8
Open int.	101,206	
Total daily turnover	11,415	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	[illegible]	[illegible]
Previous	2399.5-401.5	2411-12
High/low	2404	2435/2414
AM Official	[illegible]	2415.5-16
Kerb close		2416-7
Open int.	211,475	
Total daily turnover	[illegible]	

■ LME AM Official £/$ rate: 1.5446
LME Closing £/$ rate: 1.5469

Spot:1.5449 3 mths:1.5429 [illegible] mths:1.5404 9 mths:1.5386

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	[illegible]	[illegible]	Open int	Vol
Aug	109.40	-	109.50	108.35	153	40
Sep	109.30	-0.10	110.00	108.55	19,230	6,913
Oct	[illegible]	[illegible]	-	-	823	[illegible]
Nov	109.40	+0.10	-	-	592	-
[illegible]	109.40	+0.15	109.80	[illegible]	17,799	3,829
Jan	109.10	+0.15	-	-	378	-
Total					48,095	10,843

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	380.30-380.60	
Opening	377.90-378.30	
Morning fix	[illegible]	[illegible]
Afternoon fix	380.650	[illegible]
Day's High	380.50-380.90	
Day's Low	377.10-377.50	
Previous close	[illegible]	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.24	6 months	4.51
[illegible] months	4.26	12 months	4.85
3 months	4.29		

Silver Fix	p/troy oz.	US cts equiv.
Spot	330.65	510.75
3 months	[illegible]	516.60
6 months	[illegible]	523.40
1 year	351.60	[illegible]

Gold Coins	$ price	£ equiv.
Krugerrand	[illegible]	248-251
Maple Leaf	390.60-393.30	-
New Sovereign	88-91	57-60

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]	380.8	+3.7	380.7	[illegible]	289	[illegible]
[illegible]	381.6	+3.7	-	-	3	-
Oct	383.0	[illegible]	[illegible]	380.2	10,168	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	+3.6	[illegible]	387.5	12,675	162
Apr	[illegible]	+3.7	[illegible]	392.0	8,257	1,700
Total					158,241	[illegible]

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	+4.7	418.5	411.5	20,433	[illegible]
Jan	[illegible]	+4.7	419.3	416.0	4,027	[illegible]
[illegible]	[illegible]	+4.7	423.0	[illegible]	[illegible]	3
[illegible]	[illegible]	+4.7	425.7	425.0	452	3
Oct	[illegible]	+4.7	429.0	429.2	103	-
Total					28,899	2,1[illegible]

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	+0.65	155.50	154.00	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	154.50	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	155.50	[illegible]	[illegible]
Total					[illegible]	715

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]	515.5	+4.5	-	-	-	-
[illegible]	[illegible]	+4.5	[illegible]	511.5	62,731	[illegible]
[illegible]	[illegible]	+4.6	527.0	516.5	37,143	5,460
[illegible]	525.8	+4.6	-	-	34	-
[illegible]	531.3	+4.7	534.0	526.0	[illegible]	211
[illegible]	536.5	+4.7	[illegible]	537.5	[illegible]	220
Total					[illegible]	[illegible]

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
[illegible]	18.18	+0.06	18.20	18.00	38,308	35,570
[illegible]	18.25	+0.07	18.30	18.11	65,272	68,466
Nov	[illegible]	[illegible]	18.24	18.11	[illegible]	[illegible]
Dec	[illegible]	[illegible]	18.20	18.10	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5,843
Feb	18.11	[illegible]	[illegible]	18.08	17,570	2,787
Total					380,477	182,749

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Oct	16.97	-0.07	17.10	16.95	24,079	25,776
Nov	17.07	-0.01	17.10	16.96	68,695	6,130
Dec	[illegible]	[illegible]	17.06	[illegible]	[illegible]	[illegible]
Jan	16.99	-0.01	[illegible]	[illegible]	[illegible]	[illegible]
Feb	16.95	[illegible]	[illegible]	[illegible]	[illegible]	757
Mar	[illegible]	[illegible]	16.90	16.83	5,115	[illegible]
Total					132,481	47,930

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Sep	49.95	+0.18	50.10	49.40	26,522	13,965
[illegible]	50.56	[illegible]	50.80	50.40	28,118	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	15,737	[illegible]
Dec	52.50	[illegible]	52.75	52.40	32,242	[illegible]
Jan	53.25	+0.07	[illegible]	[illegible]	[illegible]	[illegible]
Feb	53.80	[illegible]	53.70	53.60	7,322	[illegible]
Total					151,495	[illegible]

■ GAS OIL IPE ([illegible])

	Sett price	Day's change	High	Low	Open int	Vol
Sep	[illegible]	[illegible]	[illegible]	152.00	[illegible]	[illegible]
Oct	[illegible]	+2.50	157.00	[illegible]	[illegible]	[illegible]
Nov	[illegible]	+2.25	159.25	[illegible]	[illegible]	[illegible]
[illegible]	160.50	+2.25	[illegible]	160.25	15,326	1,180
Jan	[illegible]	[illegible]	162.50	161.75	[illegible]	[illegible]
Feb	[illegible]	[illegible]	163.00	162.50	4,144	195
Total					102,192	16,346

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	17,237	[illegible]
[illegible]	1.910	+0.007	1.950	1.900	[illegible]	7,441
Nov	2.060	+0.005	[illegible]	[illegible]	11,758	930
[illegible]	2.215	+0.005	2.240	[illegible]	[illegible]	987
Jan	2.225	+0.009	2.250	2.225	[illegible]	583
[illegible]	[illegible]	[illegible]	2.160	[illegible]	[illegible]	[illegible]
Total					[illegible]	21,775

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Sep	[illegible]	[illegible]	57.45	[illegible]	[illegible]	[illegible]
Oct	53.70	[illegible]	[illegible]	[illegible]	22,185	[illegible]
Nov	[illegible]	+0.12	[illegible]	51.10	[illegible]	[illegible]
[illegible]	57.15	+0.27	[illegible]	[illegible]	[illegible]	[illegible]
Jan	55.70	[illegible]	55.90	[illegible]	[illegible]	[illegible]
Feb	55.20	[illegible]	55.40	55.00	[illegible]	522
Total					76,571	37,793

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]	105.10	+0.50	[illegible]	104.95	337	28
Nov	106.65	[illegible]	[illegible]	105.40	2,274	[illegible]
[illegible]	[illegible]	+0.40	[illegible]	107.35	[illegible]	[illegible]

[illegible]

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]	1480	+5	1500	1480	586	63
Sep	[illegible]	[illegible]	[illegible]	1420	646	48
Oct	[illegible]	-17	[illegible]	[illegible]	738	62
Jan	1440	-10	[illegible]	[illegible]	388	23
Apr	1480	[illegible]	-	-	[illegible]	-
Jul	1303	-	-	-	[illegible]	-
Total					[illegible]	[illegible]

	Close	Prev
BFI	1509	1502

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	1030	-18	1051	1037	10,802	1,924
Dec	1058	-17	1075	1052	27,182	1,720
Mar	1086	-10	1093	1084	31,289	[illegible]

[illegible]

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	69.00	+0.07	[illegible]	68.75	[illegible]	584
Dec	67.40	-0.13	67.71	67.29	[illegible]	[illegible]
Mar	68.75	[illegible]	[illegible]	68.50	[illegible]	[illegible]
May	69.65	-0.09	69.78	69.40	4,492	641
Jul	70.40	-0.02	70.85	70.40	3,144	79
[illegible]	69.20	+0.20	69.40	69.[illegible]	412	11
Total					[illegible]	[illegible]

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	+0.25	94.10	[illegible]	[illegible]	482
Nov	97.50	[illegible]	97.70	96.80	[illegible]	[illegible]
Jan	101.25	[illegible]	[illegible]	100.40	[illegible]	[illegible]
Mar	104.25	+0.15	104.40	103.30	2,511	24
May	107.25	+0.15	107.00	107.00	854	5
Jul	109.25	+0.15	-	-	235	1
Total					21,780	[illegible]

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]	69.825	-0.050	69.350	68.550	5,582	1,365
Oct	71.850	+0.175	72.200	71.325	33,009	6,247
[illegible]	70.275	+0.100	70.525	70.100	[illegible]	1,794

[illegible]

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — Puts —

[illegible: Aluminium (99.7%) LME header and strike 1450 row]

Strike				
1475	41	81	40	58
1500	30	69	64	71
■ COPPER (Grade A) LME	Oct	Jan	[illegible]	Jan
2350	105	131	52	76
2400	74	106	52	90
2450	51	83	77	125
■ COFFEE LCE	Nov	Jan	[illegible]	Jan
3250	339	407	251	364
3300	290	385	[illegible]	392
3350	261	367	[illegible]	424
■ COCOA LCE	Dec	Mar	Dec	[illegible]
1000	105	150	37	82
1050	76	123	58	85
1100	54	99	86	111
■ BRENT CRUDE IPE	Oct	Nov	Oct	[illegible]
1700	56	65	46	64
1750	31	-	-	-
1800	-	-	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Oct)

		+or-
Dubai	[illegible]	[illegible]
Brent [illegible]	[illegible]	[illegible]
Brent Blend (Oct)	[illegible]	[illegible]
W.T.I. (1pm est)	[illegible]	[illegible]

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	[illegible]	+2
Gas Oil	$152-153	+2
Heavy Fuel Oil	$83-85	-0.5
Naphtha	[illegible]	+1
Jet fuel	$168-169	+2

Petroleum Argus estimates

■ OTHER

Gold (per troy oz)♣	[illegible]	[illegible]
Silver (per troy oz)♣	517.5c	+5.0
Platinum (per troy oz.)	[illegible]	[illegible]
Palladium (per troy oz.)	$153.00	+0.40
Copper (US prod.)	114.0c	+1.0
Lead (US prod.)	[illegible]	
Tin (Kuala Lumpur)	13.21m	[illegible]
Tin (New [illegible])	243.5c	+1.0
Cattle (live weight)†©	119.33p	-0.37*
Sheep (live weight)†♠©	88.42p	-3.34*
Pigs (live weight)©	80.41p	+8.06*
Lon. day sugar (raw)	$305.00	-0.80
Lon. day sugar (wte)	$344.00	-1.00
Tate & Lyle export	£310.00	-2.00
Barley (Eng. feed)	£107.0	+1.5
Maize (US No3 Yellow)	$142.5	
Wheat (US Dark North)	£180.0	
Rubber (Sep)♥	88.75p	+1.00
Rubber (Oct)♥	87.75p	+1.00
Rubber KL RSS No1 Aug	323.00m	
Coconut Oil (Phil)§	$800.0z	+15.0
Palm Oil (Malay.)§	$555.0w	-2.5
Copra (Phil)§	$387	
Soyabeans (US)	£187	
Cotton Outlook 'A' Index	75.20	+0.30
Wooltops (64s Super)	448p	+4

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. t Oct. z Sep/Oct. w Sep. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week. © Prices are for previous day.

Wool
Wool prices have continued to advanced on a broad front, and as auctions have been resumed in the new selling season the pace has tended to accelerate. There are variations between sectors. Finer merinos are in short supply, and remaining stocks held in the official Australian stockpile are low. Demand meanwhile is building up with fashion one factor, and anticipation of shortages to come another. The world crossbred wool situation is also obviously firmer with supplies and stocks seen as liable to fall short of demand. Only with middle micron merinos is the Australian stockpile seen as a holding factor, and this is not enough to prevent price rises here also. Wool International's Eastern states market indicator closed 706 cents yesterday, compared with 693 a week ago.

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Aug 17	Aug 16	month ago	year ago
[illegible]	2072.3	[illegible]	[illegible]

■ CRB Futures (Base: 1967=100)

Aug 17	Aug 16	month ago	year ago
[illegible]	229.17	231.90	214.01

CROSSWORD

No.8,536 Set by VIXEN

ACROSS
1 Fruit produce for the jam firm (6)
[illegible] One trips due to the dogs (8)
[illegible] He is with little hesitation sent off (6)
10 Seafood makes the board put on weight (8)
12 Shown on TV as guarded (6)
13 No longer a revered figure in China, [illegible] network's announced (6)
15 A motoring organisation [illegible] English people (4)
16 Less experienced maybe, but [illegible] con-cerned (7)
20 Rushed around a woman and [illegible] across (7)
[illegible] [illegible] an animal sanctuary (4)
25 Putting nothing by for musical entertainment (6)
26 Having a party in the break, that's living! (8)
28 Underclothing stuffed into [illegible] carrier – [illegible] could [illegible] ridicule (8)
29 [illegible] turned cold, then hot for a bit (6)
30 Account rendered for the odd oriental order (8)
31 Believe there should be financial provision (6)

DOWN
1 Claims made over river enjoyment [illegible]
2 Meeting [illegible] right, [illegible] to some agreement (8)
3 In advance, though on foot (6)
[illegible] Slow-moving birds [illegible]
[illegible] Almost score, but not quite (8)
[illegible] Admission course (6)
[illegible] Issue ten new lines (6)
11 Having to do with a [illegible] upbringing (7)
14 Youngster given leave – always content (7)
17 A [illegible] with children retains [illegible] clear (8)
18 [illegible] a failure, being [illegible]
[illegible] [illegible] fancy forging such a note (8)
22 Stout doorman (6)
[illegible] [illegible] track as queen [illegible] parliament (6)
24 [illegible] large [illegible] inside will get a late meal [illegible]
27 A guy to turn to (4)

Solution 8,535

S	E	R	E	N	A	D	E		B	L	U	F	F	S
E		E		O		I				A		I		W
S	L	A	P	D	A	S	H		T	S	E	T	S	E
A		L		D		C				V		T		A
M	A	T	T	E	R	E	D		B	E	H	E	S	T
E		Y		D		R		S		G		D		I
					I	N	N	O	V	A	T	I	O	N
T		H		C		I		M		S		N		G
H	E	A	D	H	U	N	T	E	R					
I		S		I		G		R		O		A		A
R	O	T	A	T	E		A	S	C	R	I	B	E	S
D		E		C				A		A		R		S
M	O	N	T	H	S		S	U	I	T	C	A	S	E
A		E		A				L		O		D		T
N	U	D	I	T	Y		S	T	A	R	L	E	S	S

JOTTER PAD

مكذاوق الاصل

LONDON STOCK EXCHANGE

MARKET REPORT

Footsie retreats after piercing the 3,200 mark

By Steve Thompson

The FT-SE 100 Index successfully launched its expected attack on the 3,200 level, but it was hard won and quickly lost as the UK equity market succumbed to repeated bouts of selling pressure in international bond markets after disappointing economic [illegible] from the US.

The US news – in the form of a higher than forecast [illegible] international trade [illegible] and worrying news from the Philadelphia [illegible] Reserve, which published its August inflation index – caused [illegible] sharp downturn on Wall [illegible] shortly [illegible] the US market [illegible] opened.

The American data came hard on the heels of news that the Bundesbank council had signalled no change in German interest rates.

At the close the FT-SE 100 was 7.7 down at 3,182.6, around two points off the day's low. The FT-SE Mid [illegible], however, [illegible] performance, closing only 1.3 easier at 3,740.4, thanks to some sustained institutional support for the second-line stocks, which tended to get left behind [illegible] on Wednesday.

Earlier, the equity market had shrugged [illegible] poor start and pierced the 3,200 mark on the Footsie following yet [illegible] encouraging pointers on the domestic economy.

This included a lower than expected rise in the broad money supply – up [illegible] per cent year-on-year [illegible] most [illegible] of around 5.5 per cent – and a marginally higher than forecast increase in retail sales in July. A 0.4 per cent rise in sales came against market expectations of around 0.3 per cent. [illegible] data put [illegible] on a [illegible] of [illegible] excellent news on [illegible] domestic economy and had headed off any lingering fears of an early rise in UK interest rates.

On Wednesday the market raced ahead in the wake of a much better than expected decline in the July inflation rate.

The market opened modestly easier, with most instititutions holding off ahead of the Bundesbank meeting. The FT-SE 100 was some three points adrift of its overnight level, but was never under real selling pressure and was back in positive territory within an hour of the opening.

Early pressure was exerted by a big seller of the Footsie future, but a measure of the market's resilience was that a brief decline to around the 3,189 level on the future triggered a powerful burst of support which kept the contract above the so-called resistance level of 3,194 for the rest of the session.

At its best, shortly after midday, the Footsie was up more than 11 points and seemingly set fair, with market optimists still hopeful of a cut in German interest rates. These hopes were fuelled throughout the morning by news that German money supply in July had risen by 9.9 per cent fromn the previous year, well down from the 11.4 per cent figure for June.

The absence of a German rate cut was the signal for a sharp decline in bonds across the world, with UK gilts, around ½ higher shortly after the opening, subsequently retreating to close with losses of around [illegible] at the [illegible] end.

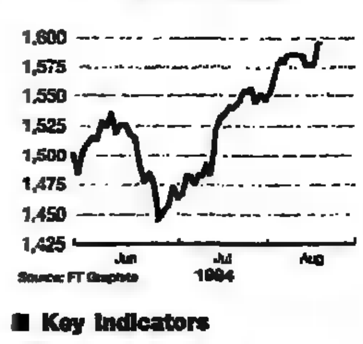
Equities moved down along [illegible] gilts, with the weak opening on Wall [illegible] producing more [illegible] pressure on the [illegible].

Marketmakers were by no means disheartened by the London market's performance. "We still feel okay, [illegible] all [illegible] are still firmly fixed on bonds," said one senior trader.

He emphasised that most market-[illegible] trying [illegible] taking big [illegible] positions in such volatile [illegible]. "You only have [illegible] at [illegible] the [illegible] been caught out."

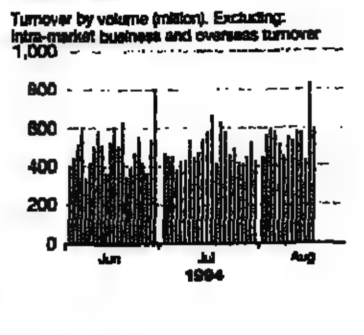
Turnover of [illegible] shares was regarded [illegible] down from Wednesday's 771.9m, which represented customer [illegible] worth [illegible].

FT-SE-A All-Share Index



Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



■ Key Indicators

Indices and ratios

FT-SE 100	3182.6	-7.7	FT Ordinary Index	2490.4	-7.1
FT-SE Mid 250	3740.4	-1.3	FT-SE-A Non Fins [illegible]	[illegible]	(20.13)
FT-SE-A 350	1606.5	-3.1	FT-SE 100 Fut [illegible]	3199.0	-8.0
FT-SE-A All-Share	1593.74	-2.78	10 [illegible] yield	[illegible]	(8.65)
FT-SE-A All-Share yield	3.75	(3.74)	Long gilt/equity yld ratio:	2.35	(2.32)

Best performing sectors		Worst performing sectors	
1 Telecommunications	+1.8	1 Diversified Inds	-1.5
2 Insurance	+1.6	[illegible] Extractive Inds	-1.4
3 Utilities	+1.3	[illegible]	-1.3
4 Merchant Banks	+1.2	4 Banks	-1.0
5 Gas Distribution	+1.1	5 Building Materials	-1.0

Rank hit as Thorn rides high

Contrasting fortunes [illegible] on [illegible] of [illegible] largest [illegible] yesterday as [illegible] reported [illegible] switching out of Rank Organisation and into Thorn EMI.

Rank shares underwent a weak session, coming off particularly sharply after lunch and ending [illegible] busy day [illegible] off [illegible] 402p. Turnover was [illegible]. It was announced after [illegible] market [illegible] that Mr J. Garret, a director of the company, had sold more [illegible] 140,000 shares. Coincidentally, there was also talk in the market of [illegible] badly executed sell order.

Meanhwile, [illegible] turning their [illegible] to Thorn, spurred on by positive comments from [illegible] Sachs, [illegible] Securities, [illegible] Capel [illegible] Court. The shares rode high all day, finally coming to rest 23 ahead at 1058p after reasonable volume of 4m.

Analysts cited reports of higher video and cassette tape prices in the European Union, [illegible] shares' [illegible] underperformance – close on 10 per cent against the market in the past three months – and the first-quarter results due next week as some of the reasons for the strength in the shares.

Thorn is also taking analysts [illegible] trip to see its US operations [illegible] month, and there was some speculative buying [illegible] expected [illegible] upbeat presentation from the music and rental group.

Finally, the demerger story – suggesting that Thorn will float off its music business from the rental division – was again doing the rounds, a move long speculated on in the market and which, should it happen, would put a premium on Thorn shares.

Royals firm

Composite insurer Royal Insurance climbed 12 to 290p, in hefty trading of 11m shares, [illegible] reports [illegible] US [illegible] had reached agreement with insurers on a proposed new tax on insurers.

The action is part of the reform of superfund, a device to make money available [illegible] pollution clean-ups, and [illegible] current suggestion is that [illegible] tax be imposed in two stages, with a first stage running for [illegible] years. In this period, it would be based 70 per cent on policies written over the last 20 years, and 30 per cent on policies written in the future. In later years, 65 per cent of the tax will be on future policies and 35 per cent on past policies.

Robert Fleming Securities, [illegible] stockbroker, [illegible] a robust buy circular on the stock and said: "If this 70/30 methodology is adopted, then we calculate that the premium 'tax' or levy that Royal will have to pay will be under $20m per [illegible] – hardly [illegible] ous or worrying prospect given that Royal has set aside reserves of $248m . . . to cover US industrial pollution losses." S.G. Warburg was also said to be positive on the stock.

Among banking issues, a [illegible] profits upgrade lifted Bank of Scotland by [illegible] to 196p. [illegible] current-year [illegible] by [illegible] to £444m, but said: "Our profits forecast still remains conservative given [illegible] in [illegible] seen elsewhere in the sector."

News that [illegible] US district judge had decided that [illegible] big asbestos class action settlement involving 20 companies that included T&N was fair cheered the market, leaving the stock 8 ahead at 247p. Mr Robert Speed at Henderson Crosthwaite, a bull of the shares, said: "I believe this settlement will put a cap on the potential liability under personal injury claim in the US."

It was the turn of Vodafone to star in the telecoms sector, with traders reporting strong US interest. The shares climbed 11 to 206p in heavy trade of 15m. Cable and Wireless also continued its firm performance of this week, adding 8 at 456p. The stock has been buoyed by Hoare Govett and a warrant from BZW.

The regional electricity companies (recs) were again a firm market as investors continued to respond to the overwhelmingly solid support from bro-[illegible] on [illegible] post [illegible] document. [illegible] West climbed 14 to 741p, East Midlands 13 to 713p and London 13 to 688p.

Scottish Power appreciated 9 to 407p, with Panmure Gordon recommending the stock ahead of its Offer review next month. The broker forecasts a 10 per cent upside for the shares. National Power edged forward a half-penny to 502p in brisk turnover of 7.8m on talk of a buy note from one of the big US-owned houses.

There was renewed strong demand for shares in the Telegraph, the London-based newspaper group, with turnover of 630,000 again topping usual levels of activity. The hints in the market on Wednesday, suggesting that Mr Conrad Black, who owns a near 57 per cent stake in the Telegraph group, may have been buying Telegraph shares, were discounted by some dealers. They said that as a director, Mr Black would be prohibited from buying shares in the closed period ahead of the Telegraph's interim results which are scheduled for next Wednesday. The stock added 12 at 373p.

The ebb and flow of the oil workers' strike in Nigeria produced a firmer trend in crude oil prices, but the oil majors were restrained by selling said to have emanated from the US. BP settled 3 off at 408p and Shell Transport the same amount lower at 721p.

British Gas moved up 3 to 195p on relatively heavy turnover [illegible] 11m shares, [illegible] by [illegible] aggressive buying [illegible] institutions.

Building [illegible] group Rugby shed [illegible] to 146p in its highest recorded day's volume of [illegible] shares, [illegible] included a [illegible] share [illegible]. The deal, which some analysts linked [illegible] investment [illegible] BZW, [illegible] of Rugby's interim [illegible] month. Andrews [illegible] advanced [illegible] 53p [illegible] European Fire Protection announced the acquisition of 8.2 per cent of the construction group to bring its total holding to 42 per cent.

News International strengthened 10 ahead of results expected next week, to 254p. United Newspapers forged ahead 17 to 535p, with analysts suggesting that an announcement by investment houses PDFM and UBS confirming that they hold 10 per cent of the stock was the driving factor.

Profit-takers undermined the recent good run by Unilever, the shares retreating 10 to 1120p. Smith New Court also reiterated its sell stance. Northern Foods was the subject of a profits downgrade and the shares slid 7 to 220p. Albert Fisher, 2 softer at 47p, was also said to be receiving cuts to its forecasts as brokers met with the company.

MARKET REPORTERS:
Steve Thompson,
Christopher Price,
Joel Kibazo, Saqib Qureshi.

■ Other statistics, Page 22

NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (93).
DISTRIBUTORS (2) Adam & Harvey, Nightfreight, DIVERSIFIED INDLS (1) Sime Darby, ELECTRICITY (3) Eastern Electricity, National Power, PowerGen, ELECTRNC & ELECT EQUP (2) Emess, Nokia Prf, ENGINEERING (3) Expamet Int'l, Ransomes, Sterling Inds, ENG. VEHICLES (3) Airflow Streamlines, Bostrom, Trinity, EXTRACTIVE INDS (10) FOOD MANUF (1) Linton Park, HEALTH CARE (1) Baxter Int'l, INVESTMENT TRUSTS (10) INVESTMENT COMPANIES (1) World Tst Fd Wrrnts, LEISURE & HOTELS (3) Bluebird Toys, Chrysalis, Falcon, LIFE ASSURANCE (1) Liberty Life Assoc of Africa, OIL EXPLORATION & PROD (4) Gulfstream Res Canada, Ramco Energy, Seafield Res, Sun Res, OTHER SERVS & BUSNS (2) Applied [illegible], Crest [illegible], PHARMACEUTICALS (2) SmithKline Beecham A, Do. Equity Units, RETAILERS, FOOD (1) Low (Wm.), RETAILERS, GENERAL (4) Etam, French Connection, Goldsmiths, Next, SUPPORT SERVS (3) Hestal Whiting, Page (M), Rolfe & Nolan, TELECOMMUNICATIONS (1) Securicor, TEXTILES & APPAREL (2) Bullers 1p, Yorklyde.
NEW LOWS (44).
GILTS (4) BANKS (2) Bank of Scotland 9%pc Irrd Prf., Do. 9%pc Pf., BUILDING & CNSTRN (4) Barratt Dev., Eve, Galliford, Higgs & Hill, BLDG MATLS & MCHTS (3) Abingdon, Titon, DISTRIBUTORS (3) Azlan, Litho Supplies, ELECTRNC & ELECT EQUP (1) Kode Int., ENGINEERING [illegible] Clyde Blowers, Concentric, EXTRACTIVE INDS (2) Ashanti, Precious Metals Australia, FOOD MANUF (1) Unigate, HEALTH CARE [illegible], Tepnel [illegible], INSURANCE (1) Windsor, INVESTMENT TRUSTS (3) Israel Fund, Do. Wrnts, LEISURE & HOTELS (3) CentreGold, Prism Leisure, MEDIA (1) Sleepy Kids, OIL, INTEGRATED (1) Chevron, OTHER [illegible], [illegible] Birch & Noble, IAF, OTHER SERVS & BUSNS (2) Brit. Bloodstock, Pleiganum, PRTNG, PAPER & PACKG (3) Ferguson Intl, Norcor, Sonic, PROPERTY (2) Saleland, Shaftesbury, SUPPORT SERVS (3) CRT, Gresham Telecomputing, Johnson Cleaners, AMERICANS (2) Eaton, Quester, Rockwell.

EQUITY FUTURES AND OPTIONS TRADING

Lower than expected US trade figures combined with general profit-taking to bring a retreat in stock index futures, pulling the near month Footsie contract back below the 3,200 level, *writes Joel Kibazo.*

The opening trade in the September futures contract on the FT-SE 100 was recorded at 3,205 and early profit-taking following Wednesday's strong run saw it drift lower shortly after the opening.

The decision by [illegible] Bundesbank to leave its key interest rate figures unchanged was quickly followed by a retreat in bond markets, triggering active selling in September.

After briefly steadying ahead of lunchtime, the contract once again came under pressure after the release of US economic data.

Dealers talked of a "tired market after Wednesday's run", but there were also reports of a big bear position in the market, with one dealer said to have tried and failed to push the market lower.

September finished at 3,199, down 6 from its previous close and some 7 points ahead of its fair value premium to [illegible] of around 10 points. Volume was 12,828 lots.

The traded options remained buoyant ahead of today's *expiry of the index options.* Total turnover was 47,883 contracts, of which 20,817 were dealt in the FT-SE 100 option and 6,206 in the Euro FT-SE option.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	[illegible]	Sett price	[illegible]	High	Low	Est. vol	Open int.
Sep	3205.0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	3217.0	3213.0	-8.0	[illegible]	[illegible]	[illegible]	[illegible]
Mar	-	3233.0	-8.0	-	-	0	0

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

Sep	3758.0	[illegible]	-4.0	3763.0	[illegible]	[illegible]	[illegible]

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

Sep	3755.0	636

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3435) £10 per full index point

[illegible]

Calls 11,068 Puts 9,379

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

Calls 3,782 Puts 2,079 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

[illegible]

Calls 0 Puts 0 Settlement prices and volumes are taken at [illegible].

TRADING VOLUME

■ Major Stocks Yesterday

[illegible]

FT - SE Actuaries Share Indices — The UK Series

	Aug 18	Day's chge%	Aug 17	Aug [illegible]	Aug [illegible]	Year ago	Div. yield%	[illegible] yield%	P/E ratio	Xd adj. [illegible]	Total [illegible]
FT-SE 100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.96	5.71	[illegible]	66.62	[illegible]
FT-SE Mid 250	3740.4	—	[illegible]	3719.1	3719.2	3486.0	3.30	5.56	21.62	84.56	1397.22
FT-SE Mid 250 ex Inv Trusts	[illegible]	—	[illegible]	3717.9	3723.0	3497.4	[illegible]	6.02	20.11	87.75	1384.29
FT-SE-A 350	[illegible]	-0.2	[illegible]	1590.2	1588.7	1585.6	3.80	[illegible]	18.37	[illegible]	[illegible]
FT-SE SmallCap	1885.87	+0.1	[illegible]	1877.64	1879.00	1757.67	3.00	4.14	31.62	[illegible]	1457.06
FT-SE SmallCap ex Inv Trusts	[illegible]	+0.1	[illegible]	1844.69	1846.99	1747.59	[illegible]	4.58	29.15	37.20	[illegible]
FT-SE-A ALL-SHARE	[illegible]	-0.2	1596.52	1578.30	1578.94	1521.01	[illegible]	[illegible]	[illegible]	40.92	[illegible]

■ FT-SE Actuaries All-Share

[illegible]

■ Hourly movements

[illegible]

Time of FT-SE 100 Day's high: 12.10pm Day's low: 3.53pm. FT-SE 100 1994 High: [illegible] Low: [illegible]

■ FT-SE Actuaries 350 Industry baskets

[illegible]

[illegible]

LONDON EQUITIES

LIFFE EQUITY OPTIONS

[illegible]

RISES AND FALLS YESTERDAY

	Rises	[illegible]	[illegible]
British Funds	1	64	5
Other Fixed Interest	0	0	15
Mineral Extraction	36	76	86
General Manufacturers	119	144	389
Consumer Goods	39	33	[illegible]
Services	101	70	335
Utilities	32	5	8
Financials	52	109	207
Investment Trusts	73	75	319
Others	20	71	26
Totals	[illegible]	647	[illegible]

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	August 8	Expiry	November 10
Last Dealings	August 19	Settlement	November 24

Calls: Bullers, Cons. Murch., Elswick, Enterprise Comp., Etam Puts: Bullers, Carardon Puts & Calls: Glaxo, HSBC A, Magnum, SmithKln. Beech. A

LONDON RECENT ISSUES: EQUITIES

[illegible]

RIGHTS OFFERS

[illegible]

FINANCIAL TIMES EQUITY INDICES

[illegible]

FT GOLD MINES INDEX

[illegible]

LONDON SHARE SERVICE

BANKS

Notes	Price	+ or -	1994 high	low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl	£22½	-⅛	£25¾	£20⅞	6,742	5.0	Φ
ANZ A$	198	—	279¼	178¼	2,636	4.8	29.5
Abbey National †N□	396xd	—	523	381	5,196	4.9	13.3
Allied Irish I£ ♣†N□	245xd	-3	314	234	1,814	5.1	9.4
Anglo Irish I£ ♣N□	58	—	70	50	199.8	7.4	10.6
Asahi Y	782½	+1½	819¼	628	16,384	0.6	Φ
Banco Bil Viz Pta	£15⅜	-⅛	£18⅞	£14½	3,512	5.5	8.7
Banco Sant Pta	£28⅝	—	£30½	£23¾	3,950	5.5	9.1
Bk Ireland I£ ♣□	270	-1	319	246	1,276	4.8	7.8
Bank Scotland ♣N□	198	+4	247	172½	2,287	3.2	10.0
9¼pc Pf	113½	-¼	141½	113½	113.5	10.2	–
9¾pc Pf	118¼	-¼	148½	118¼	118.8	10.3	–
Barclays ♣†N□	558½xd	-1½	640	487	9,088	3.7	17.2
Dai Ichi Kan Y	£12⅞	+⅛	£12⅞	£10⅞	38,327	0.5	–
Deutsche DM	£296⅝	+⅞	£344⅞	£270⅞	14,095	2.3	–
Espirito Santo	£10⅝	+½	£13⅜	£9⅞	274.6	3.9	5.0
First Nat Fin N□	69xd	—	90	60	116.5	2.7	–
6.3pc Cv Pf	77	—	80	77	5.18	10.2	–
7pc Cv Pf	125½	-½	171	123	58.6	7.0	–
Fuji Bank Y	1522¼	+2¼	1549¼	1152½	44,099	0.4	Φ
HSBC HK †N□	740	-14	1133	680	12,950	4.2	10.6
HSBC (75p Shs) †N□	723	-11	1113	660	6,145	4.3	10.4
Lloyds †N□	551xd	-8	680	519	7,129	5.2	10.8
Mitsubishi Y	£17⅜	-⅛	£18⅞	£15⅝	48,200	0.3	Φ
Mits Tst & Bk Y	1012¼	+1½	1162¼	697½	12,135	0.5	15.6
Mitsui Tst & Bk Y	790½	-¼	879	514	9,472	0.7	25.9
Nat Aust A$ †	528	—	620¼	489¼	7,087	5.4	11.0
NatWest †N□	475xd	-4	622	421	7,908	5.1	8.8
Ottomane FFr	£21¼	—	£33	£21¼	108.8	0.7	Φ
Ryl Bk Scotland ♣†N□	401	-3	528	377½	3,208	3.7	18.1
Sakura Y	£9⅞	-⅛	£9⅞	£8⅞	[illegible]	0.6	55.3
Sanwa Y	£13⅛	-⅛	£15⅝	£11⅞	[illegible]	0.4	–
Standard Chartd. †N□	253	-9	359½	223	[illegible]	3.2	[illegible]
7 3/8pc Prf	89¼	-¼	108½	89¼	[illegible]	10.3	–
Sumitomo Y	£13⅞	—	£16⅛	£11½	[illegible]	0.4	27.2
Sumitomo Tst Y	827¼	-12¼	1148½	625	[illegible]	0.8	Φ
TSB †N□	211xd	-3	291	197	[illegible]	4.8	10.6
Tokai Y	£9⅞	+⅛	£9	£8⅞	[illegible]	0.7	52.6
Toyo Tst & Bk Y	816¼	+8½	892	598¼	[illegible]	0.6	70.1
Westpac A$	213	-4	280	194	[illegible]	2.6	Φ
Yasuda Tst Bk Y ‡	591¼	-1¼	696	442	[illegible]	0.9	50.8

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

Notes	Price	+ or -	1994 high	low	Mkt Cap£m	Yld Gr's	P/E
AGA SKr	£8⅝	+⅛	£12⅞	£8⅞	585.9	12.6	Φ
Akzo Fl	£81⅞	+⅞	£92⅞	£80⅞	3,760	3.8	21.1
Allied Colloids †N□	182xd	+1½	182	115½	800.7	1.9	24.4
Amber Ind N	780	—	780	705	28.7	3.3	15.8
BASF DM	£137⅞	+⅞	£127¾	£106⅞	8,013	7.0	–
BOC ♣N□	733	-4	797	627	3,503	4.0	30.9
BTP ♣N□	318xd	-1	373	287	427.7	3.9	20.1
Bayer DM	£163⅞	-1⅞	£169⅞	£128⅞	10,310	6.0	–
Brent N□	127	+1	131	98	85.7	3.9	–
British Vita N□	274	—	309	233	588.7	3.4	23.0
Cambridge Iso $	18	—	25	18	2.35	–	–
Canning (W) ♣N□	168	—	189	[illegible]	55.5	4.6	33.2
Cementone ♣N	65	—	169	[illegible]	14.3	5.3	39.3
Warrants	28	—	49	[illegible]	0.33	–	–
Courtaulds N□	509	-8	609	467	2,108	3.4	40.5
Croda N□	383	+1	394	327	506.6	2.7	18.5
Doeflex ♣N	100	+5	138	85	18.8	5.7	11.3
Engelhard $	£17⅞	-⅛	£20⅞	£14½	1,637	1.7	–
European Colour ♣N□	35	—	53	35½	16.9	2.6	20.0
Gibbon Lyons ♣N	137xd	—	148	132	12.4	5.8	Φ
Hickson ♣N□	178	+1	223	180	373.1	5.7	15.7
Hoechst DM	£140⅞	-⅞	£153⅞	£108⅞	8,788	5.1	–
Holliday Chemical †N□	230xd	+1	250	153¼	248.4	2.3	19.5
ICI N□	822xd	-8	898	728	5,926	4.2	69.2
Inspec □	219	+1½	232	178	198.7	0.8	–
Kalon ♣†N□	151½	—	161½	140½	218.2	3.4	16.2
Laporte ♣N□	800	-5	843	704	1,532	3.2	21.7
MTM ♣□	70	-1	79	48	28.9	–	–
Mandera N	368	—	486	302	142.1	[illegible]	18.9
McLeod Russel N□	118	—	127	100	71.4	[illegible]	18.4
Metrotect Inds ♣N□	102	—	120	88	24.3	[illegible]	Φ
Perstorp SKr	£24⅝	+⅛	£32⅞	[illegible]	121.7	[illegible]	31.3
Porvair ♣N	313	+3	348	[illegible]	48.2	[illegible]	23.5
Scapa ♣N□	218xd	—	272	[illegible]	619.0	[illegible]	18.7
Sutcliffe Speak. ♣N□	48	—	60	44	27.0	[illegible]	28.2
[illegible] N□	380	—	400	361	97.1	[illegible]	20.4
[illegible] W□	280	—	220	280	47.3	3.2	19.3
[illegible] ♣N	738	—	738	570	34.8	3.0	18.4
Yorkshire ♣†N□	407xd	+3	403	360	268.1	2.4	18.8
Yule Catto N□	326	+2	396	258	320.4	2.4	24.9

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

Notes	Price	+ or -	1994 high	low	Mkt Cap£m	Yld Gr's	P/E
Farnell ♣N□	787	—	832	594½	281.4	1.9	28.5
Feedback ♣N	67	—	75	60	3.97	2.8	71.7
Forward ♣N	215	—	303	200	17.7	2.9	12.9
Forward Tech ♣N□	46½	-1	59	14½	18.5	0.8	–
Fujitsu Y	767¼	-1¼	781	550½	12,947	0.5	–
GEC N□	303xd	+3	352½	289½	8,293	4.5	15.2
Gestetner ♣†N□	140xd	—	191	138	207.8	2.1	–
Graseby N□	140	—	180	119	66.1	5.5	19.6
Hewlett-Packd $	£59½	-½	£62⅞	£47	14,388	1.4	–
Intl Cntrl Servs ♣†N□	134	—	193	126	53.6	4.3	12.6
[illegible] HK$	[illegible]	-¾	187	147¼	571.3	1.4	33.8
[illegible] ♣□	10xd	—	16	9	4.38	1.2	Φ
[illegible] ♣N□	374xd	+3	395	335	137.3	3.0	17.9
Kenstaw (A) ♣N	840xd	—	865	730	280.7	4.1	38.9
Kode Intl N	36	-37	105	36	2.40	10.7	5.4
LPA Inds ♣N	49	—	82	45	4.13	4.3	–
Lec Refrig ♣N□	335	—	335	225	21.5	3.2	–
Linx Prntg Techs ♣	89	—	90	58	11.9	2.3	11.8
MTL Instr ♣N	311	+1	315	258	64.7	1.6	20.1
Memtec-Swain ♣†N□	265xd	—	285	270	118.3	2.1	Φ
Microvitec ♣□	41½	—	45	31	28.5		
Mitsub Elect Y ♣	456	+3½	494¼	320	6,789	1.4	77.4
Motorola $	£34⅞	-⅛	£38⅞	£28⅞	10,231	0.5	–
NEC Y	797	-6¼	849	510	12,277	0.8	Φ
Nokia Pf Fm	£94⅞	+1⅛	£99⅞	£19⅞	2,380	2.7	6.3
Orbis □	29xd	—	31	24	1.26	2.5	Φ
Pacer Syst $ ♣	80	—	91	65	3.89	5.8	27.4
Peek N□	87	—	98	70½	103.9	4.9	22.5
Philips Fl	£21⅜	-⅛	£22⅞	£14	[illegible]	0.9	3.0
Philips Fin 5¼pc	£106	—	[illegible]	£97½	[illegible]	5.5	–
Pilco N	350	-1	350	220	[illegible]	1.6	Φ
A N	340	-3	344	283	[illegible]	1.7	Φ
Plasmec ♣N	121	—	123	70	[illegible]	3.1	–
Pressac N	127	-1	128	100	[illegible]	2.5	25.0
Prestwick N	24xd	—	43¼	17¼	4.77	–	–
7¼pc Cv Pf	73xd	—	88	68	2.29	12.4	–
Process Syst $ □	7	—	9¼	6	3.78	–	–
Psion ♣†N□	268	-1	303	[illegible]	[illegible]	1.4	27.9
Racal N□	240xd	+10	285	[illegible]	693.3	2.2	28.2
Radamec ♣N□	40	—	58	33	[illegible]	4.6	13.9
Radstone Tech ♣N□	125	-1	133	109	[illegible]	3.0	15.8
Rim ♣N	18	—	35	15	[illegible]	–	–
Rexboro ♣N□	257	-2	311	220	[illegible]	0.9	18.8
Scantronic ♣N□	21	+1	30	19	[illegible]	5.8	Φ
Scholes ♣N□	258	—	258	182	68.3	0.8	Φ
Siemens DM	£270⅞	-⅞	£310	£250⅞	15,347	3.9	–
Silvermines I£ N□	37	—	40	37	20.7	1.8	22.0
Sony Y ♣	£30⅞	-⅛	£41⅞	£32⅞	14,482	0.5	Φ
Soundtracs ♣N	60xd	—	94	63	6.67	4.4	15.4
Stho Business N□	46	—	106	41	48.4	8.7	7.5
Tadpole Technology ♣N□	405	-1	422	284	108.0	–	–
TDS Circts ♣N	14½	—	18	11	1.39	–	–
TDK Y	£30⅞	-⅛	£32¼	£22⅞	3,780	1.1	Φ
Telemetrix N□	90	+3	170	83	32.3	1.4	11.5

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

Notes	Price	+ or -	1994 high	low	Mkt Cap£m	Yld Gr's	P/E
AFMIN R □	3	—	3	2	0.72	3.3	–
Anderman Res I£	14½	—	24	13½	1.93	–	–
Anglesey	5	—	9	5	1.49	–	–
Ang Am Coal R	£26⅞	—	£26⅞	[illegible]	877.6	3.4	14.6
Anglo Amer R	£37½	+⅛	£39⅞	[illegible]	8,791	1.9	34.7
Ang Am Gold R	£65⅞	+1½	£66⅞	[illegible]	1,877	3.7	19.1
Anglo Pac Res ♣N	28	—	28	27	22.5	–	–
Anglovaal R †	£18⅞	—	£19¼	£13⅞	882.3	1.1	31.2
Aquarius Explo. A$	3¼	+¼	3	2¼	1.70	–	–
Ashanti	£12⅞	-⅛	£15⅞	£12⅞	1,660	–	–
Ayer Hitam M$	180	-2	182	118	14.6	2.9	–
Ballyrath Gold	287	-1	484	275	43.6	–	–
Beatrix R	327½xd	-1½	401	294½	387.9	4.5	Φ
Bisichi Mining ♣N	37xd	—	38	34½	3.87	2.3	32.0
Blyvoor R	199½	+5¼	188	99½	38.9	–	–
Boulder Gold A	22	-2	36	20	12.4	–	–
Bracken R	22½	—	37	22¼	3.37	4.0	62.6
Bruntsfield Agg's □	30	—	[illegible]	30	17.7	1.5	17.7
Buffels R	647xd	-17¼	[illegible]	580½	71.2	8.5	Φ
Burmine A$	125½	+15½	[illegible]	100	48.2	–	–
Byco	2¼	—	8	2½	8.47	–	–
CRA A$	802	—	902	745½	5,647	2.3	28.8
Caledonia Min C$	39⅞	-4⅞	42⅞	35	68.5	–	–
Cluff Res	40¼	-¼	39½	35	28.9	–	–
Coal Inve.	110	+5	110	38½	64.4	–	–
Warrants	80	+6	80	15	–	–	–
Cons Murch R	250xd	—	308	[illegible]	15.6	2.5	Φ
Croesus A$	15¼	-1	22	[illegible]	[illegible]	–	–
De Beers Lkd Uts R †	1609¼	-28¼	1788	[illegible]	[illegible]	3.3	15.7
40pc Pf	380	—	387½	312½	[illegible]	11.9	–
Delta Gold A$	132	-2	227	130	[illegible]	–	–
Deelkraal R	97	-2	140	68	[illegible]	3.7	Φ
Dennz A$	33½	-1	33¼	[illegible]	[illegible]	–	–
Dominion A$	33¼	—	28¼	[illegible]	[illegible]	–	–
Doornfontein R	67½	-¼	74	[illegible]	[illegible]	–	–
Dragon Mining A$	6¼	—	13¼	6	[illegible]	–	–
Driefontein R	982½	+24	982½	685¼	[illegible]	4.4	Φ
Durban Deep R	565½	-3	929	549¼	[illegible]	–	–
ERGO R	154	-4	178¼	107	[illegible]	11.7	5.7
Eagle Mining A$	48	-1¼	81¼	5½	[illegible]	–	–
East Rand Prp R	70¼	-¼	122¼	59½	[illegible]	–	–
Eastern Trans R	80	—	60	48	[illegible]	4.3	Φ
[illegible] Gold R	120	—	135	78	[illegible]	–	–
Elandsrand R ‡	420½xd	-2	449	300½	407.8	3.9	8.6
Emperor A$	120	-2	175	120	[illegible]	–	–
Eng China Clays □	303	-1	440¼	321	[illegible]	5.2	22.8

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

Notes	Price	+ or -	1994 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible] ♣N□	55	—	63	44	10.2	–	–
[illegible] †N□	189½	+½	199¼	130½	1,732	4.0	17.4
Specialeyes ♣	12	—	21	11	1.87	–	–
Takare □	226	—	282	192	280.7	1.2	19.4
Tamarix □	2½	—	3	1¼	7.00	–	Φ
Tepnel Diagnostics	81	-2	186	81	19.5	–	–
UniChem ♣N□	307	—	312	262	448.5	2.8	17.2
[illegible]	198	—	215	167	32.6	4.7	12.1
[illegible]	388	—	408	294	181.8	1.8	Φ

HOUSEHOLD GOODS

Notes	Price	+ or -	1994 high	low	Mkt Cap£m	Yld Gr's	P/E
Airsprung N	221	—	312	220	66.2	2.6	Φ
Bilston B'sea ♣N	30	—	38	26	3.39	–	–
Black (P) ♣†N□	261	—	263	225	164.6	1.7	22.0
Colefax & F. ♣N□	76xd	—	82	58	19.7	1.9	Φ
Cornwell Pkr A ♣N	148	—	167	148	99.8	4.8	20.0
Creighton Nat. ♣N	213xd	—	306	210	9.84	4.5	Φ
Delaney □	3	+1	11¼	3	3.50	–	–
Denby N□	184	—	188	133	91.4	2.5	15.0
Elder	18	—	26	15	2.41	–	–
Fine Decor N	245	—	273	245	30.8	2.4	14.5
Gaskell N	140	—	169	113	6.80	3.6	–
WP Ind I£ ♣	343xd	—	388	335	117.8	3.1	10.8
Joyce ♣N□	238	—	285	200	93.1	3.9	84.7
Le Creuset FFr ♣N	290	—	295	300	37.8	2.8	14.9
Lilliput ♣N□	86	—	142	80	20.9	8.8	9.5
Linkheart ♣□	7	—	14	6¼	12.7	5.4	15.9
Maybom ♣N	167	—	231	165	33.1	4.5	11.7
Osborne & L ♣N	417	—	417	239	26.6	1.9	15.2
Pat'son Zoch ♣N	488	—	625	461	121.7	3.2	18.1
A N/V ♣N	482	—	563	416	110.6	3.3	12.7
Portmeirion ♣N	539	—	560	445	65.6	2.2	18.2
[illegible] ♣N□	650	-7	723	631	2,380	3.5	15.6
[illegible]	154xd	-4	[illegible]	138	309.5	8.2	–
Relyon ♣N	248	—	[illegible]	211	52.2	2.8	44.5
Royal Doulton ♣N□	300	—	[illegible]	210	166.0	2.8	38.2
Silentnight ♣N□	208	—	[illegible]	194	98.4	4.9	11.8
Stoddard Sbrs ♣N□	38	—	46	[illegible]	21.8	5.6	13.6
Swallowfield N	166	—	186	[illegible]	17.5	3.5	20.7
Tams (John) ♣N	68xd	—	115	[illegible]	22.0	5.8	22.1
Tomkinsons N	253	—	330	253	16.7	5.7	23.8
Victoria Carpet N	160	—	180	125	10.8	3.6	Φ
Vymura □	180	—	183	150	36.8	3.7	14.5
Walker G'bank ♣□	103	—	114	87	66.2	4.0	48.7
[illegible] ♣□	80	—	92	44	425.3	–	31.7
[illegible] N	165	—	185	155	3.19	2.4	31.7
[illegible] N□	71	—	76	76	14.0	–	15.1

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

Notes	Price	+ or -	1994 high	low	Yld Gr's	NAV	Dis or Pm(-)
Fleming Fledge ♣N	378xd	—	432	339½	1.0	421.8	6.7
Flmg Geared Inc ♣N	203xd	—	251	166	2.4	268.1	24.4
Warrants	184	—	220	147	–	–	–
Cm Prg Pf	103	-½	106	102	8.7	–	–
Fleming High Inc ♣N	102	—	130	96	8.4	101.8	-2
Warrants	22	-1	39	17	–	–	–
Fleming I & G Inc ♣N	81½	-1½	101¼	81½	6.7	88.3	5.7
Units N	137	-1½	160	124	4.8	124.3	-8.2

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LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

MERCHANT BANKS

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PHARMACEUTICALS

PRINTING, PAPER & PACKAGING

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

TRANSPORT - Cont.

WATER

AMERICANS

CANADIANS

SOUTH AFRICANS

GUIDE TO LONDON SHARE SERVICE

x Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings

K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security subject to the Editor's discretion

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices [illegible]lable over the telephone. Call the FT [illegible] Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♠) - 1401 to 1700 hours; (♦) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

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FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over [illegible] telephone. Call the FT Cityline [illegible]p Desk on (071) 873 4378 for more details.

Waverley Unit Tst Mngmt Ltd (1000)F

Whittingdale Unit Tst Mngmt Ltd (0830)F

Acuma Life Assurance Ltd

Clerical Medical/Fidelity Investments

Friends Provident - Contd.

Lancashire & Yorkshire Assce Society

Laurentian Life plc

OTHER UK UNIT TRUSTS

INSURANCES

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Scottish Mutual Assurance – Contd.

Sun Life Unit Assurance Ltd

St James Barton, Bristol BS99 7SL

Scottish Provident Group

6 St Andrew Sq, Edinburgh

Scottish Provident Institution Funds

Life Funds

Sun Life Pensions Management Ltd

Swiss Life (UK) PLC

101 London Rd, Sevenoaks

Group Pension Funds

Century Life International Ltd – Contd.

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (REGULATED)(**)

IRELAND (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

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FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Abtrust Fund Mngrs Luxembourg SA (u)

American Phoenix Investment Portfolios (u)

BAII Intermarket Fund

Bank Von Ernst & Cie AG

HSBC Investment Funds Luxembourg SA - Contd.

Henderson Management SA (u)

Hypo Foreign & Colonial Port Fd Sicav(u)

LUXEMBOURG (REGULATED)(**)

Aetna International Umbrella Fund (u)

Alliance Capital

Israel Selection Fund

Lloyds Bank Luxembourg (u)

Lombard Odier Invest (u)

MFS International Funds

World Bond Fund—SICAV (z)

World Trust Fund

OTHER OFFSHORE FUNDS

ATSP Management Ltd

Abtrust Fund Mngrs (Guernsey) Ltd

Europe 1992

Jardine Fleming Unit Trusts Ltd - Contd.

Putnam Emerging Funds Ltd

MANAGED FUNDS NOTES

CURRENCIES AND MONEY

MARKETS REPORT

Buba keeps rates steady

The Bundesbank council's decision yesterday [illegible] keep rates on hold unnerved interest rate markets and put renewed pressure on the dollar, *writes Philip Gawith.*

At its first meeting after the summer recess, the central bank left the discount rate at 4.5 per cent and [illegible] Lombard rate at [illegible] per cent. It also fixed the repo rate for a further two weeks at 4.85 per cent.

Markets were disappointed since the earlier news that German [illegible] had grown at an annualised rate of 9.9 per cent in July, below expectations, had boosted hopes of a rate cut.

The dollar later came under further pressure when Commerce department figures showed that the June trade gap with Japan had widened by 25.8 per cent to \$5.52bn, reminding the market that the [illegible] dispute with Japan [illegible] a potent, [illegible] issue.

For the first time in a number of weeks, the dollar closed in London below Y100, finishing [illegible]. Against the D-Mark it closed at DM1.5456 from DM1.5603.

The D-Mark was again the beneficiary of generalised strength, closing higher against most European currencies. The lira slipped [illegible] to L1,025 from L1,018 and the French franc closed at FFr3.436 from FFr3.430.

Sterling was also a victim of D-Mark strength, finishing [illegible] from DM2.4009. It was firmer against the dollar, closing at \$1.5457 from \$1.5388.

■ The dollar fell prey to a combination of concerns about inflation, and the trade dispute with Japan. [illegible] was little doubt [illegible] the end of the day that the 50 basis point rise in US rates earlier [illegible] little, if any, lasting impact.

The dollar's problems started with the Bundesbank's decision [illegible] rates on hold, which simply [illegible] momentum [illegible] recent D-Mark strength. Matters were [illegible] in the [illegible] by the [illegible] of June [illegible] figures, and [illegible] Philadelphia Fed index.

The jump in the trade deficit with Japan, coupled with [illegible] commerce secretary [illegible] Ron Brown's comments [illegible] it remained unacceptable, reminded the market that this problem area remains a ongoing [illegible] conflict, and prompted further dollar sales.

To aggravate [illegible] further, the prices component of [illegible] Philadelphia Fed [illegible] rose sharply. This unnerved US bonds, and the dollar [illegible]ened in sympathy.

Mr S[illegible] Hannah, head of [illegible] IBJ [illegible] in London, [illegible] currency [illegible] feels that the Fed [illegible] still a bit behind the game in terms of controlling inflation pressures."

He said the market appeared unhappy with the current wisdom that the Fed will not act again before November, when the mid-term congressional elections are out of the way.

With US [illegible] prices under [illegible] Mr [illegible] higher [illegible] outweighed the problem of potential capital losses.

■ Although the trade weighted sterling index finished only slightly lower at 78.7, from 78.8, analysts said the fall below DM2.40 [illegible] beginning [illegible] the market.

"More and more people [illegible] worrying [illegible] the pound [illegible] drifting in rather an ominous way against the D-Mark," said Mr Hannah. Recent good news, [illegible] in [illegible] form of firm growth and [illegible] inflation, [illegible] ironically [illegible] bad news. "There have been too many excuses for politicians to avoid doing [illegible] evil [illegible] of raising interest rates."

Mr Peter Luxton, economist at Barclays in London, echoed the point, commenting: "The market almost wants bad news to see whether the Bank (of England) will raise rates."

Sterling [illegible] to have been caught in the backwash from [illegible] week's rise in Swedish and Italian rates. Until recently the general assumption was that the UK would be the first European country to [illegible]. Now [illegible] it [illegible] been beaten to it, the fear has again arisen of doing too little, too [illegible] in combatting inflation.

"The UK is running the risk of getting a little too far behind [illegible] game," [illegible]. "The longer you delay, the more likely the market is to [illegible] if [illegible] not prepared to give way on interest rates, we will give way on the currency."

He noted that the Fed had raised interest rates five times this [illegible], despite good [illegible]line inflation figures. Australia also raised rates this week by [illegible] points, against [illegible] background of [illegible] expected [illegible].

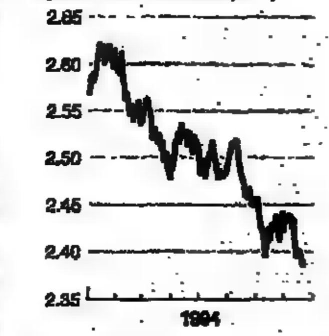
■ The Bundesbank's decision [illegible] in [illegible] performance of short sterling and Euromark futures. The December short sterling contract fell five basis points to 93.31, while the equivalent Euromark contract closed at 94.83 from 94.86.

[illegible] ling market remained very nervous, [illegible] any good [illegible] almost immediately discounted.

The Bank of England pro[illegible] assistance, [illegible] established rates, to UK money markets after forecasting a £600m shortage.

Sterling

Against the D-Mark (DM per £)



Source: Datastream

■ **Pound in New York**

Aug 17	Latest	Prev. close
£ spot	1.5460	1.5420
1 mth	1.5458	1.5416
3 mth	1.5443	1.5397
1 yr	1.5328	1.5280

■ **OTHER CURRENCIES**

Aug 18	£	$
[illegible]	165.383 - 165.992	107.010 - 107.110
[illegible]	2681.00 - 2691.00	1748.00 - 1750.00
Kuwait	0.4594 - 0.4606	[illegible]
[illegible]	3477.9 - 3505.6	2263.0 - 2267.0
[illegible]	[illegible]	[illegible]
[illegible]	5.6664 - 5.6779	3.6715 - [illegible]

POUND SPOT FORWARD AGAINST THE POUND

Aug 18		Closing mid-point	Change on day
Europe			
Austria	(Sch)	[illegible]	-0.0803
Belgium	(BFr)	[illegible]	-0.1539
Denmark	(DKr)	9.4898	-0.0389
Finland	(FM)	7.3185	-0.0499
[illegible]	[illegible]	8.2078	-0.0242
Germany	(DM)	[illegible]	-0.012
Greece	(Dr)	362.148	-1.538
Ireland	(I£)	1.0139	[illegible]
Italy	(L)	2447.65	+4.11
Luxembourg	(LFr)	49.2985	-0.1538
[illegible]	(Fl)	2.6824	-0.0138
Norway	(NKr)	10.5221	-0.0485
Portugal	[illegible]	245.804	-0.75
Spain	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	-0.0787
[illegible]	[illegible]	2.0079	[illegible]
UK	(£)	-	-
[illegible]	-	1.2583	-0.0044
SDR†	-	0.944328	-
Americas			
[illegible]	[illegible]	[illegible]	+0.0069
Brazil	[illegible]	[illegible]	+0.0016
[illegible]	[illegible]	2.1321	+0.0145
Mexico	(New Peso)	5.2336	-0.0051
USA	($)	[illegible]	+0.0069
Pacific/Middle East/Africa			
Australia	(A$)	[illegible]	+0.0078
Hong Kong	(HK$)	[illegible]	+0.0547
[illegible]	[illegible]	[illegible]	[illegible]
Japan	(Y)	[illegible]	[illegible]
Malaysia	(M$)	[illegible]	[illegible]
New Zealand	(NZ$)	2.5725	+0.0027
[illegible]	(Peso)	40.5734	+0.1811
Saudi Arabia	(SR)	5.7988	[illegible]
[illegible]	[illegible]	2.3247	+0.0067
S Africa (Com.)	(R)	5.5307	[illegible]
S Africa (Fin.)	(R)	[illegible]	[illegible]
South Korea	[illegible]	[illegible]	[illegible]
Taiwan	[illegible]	40.9137	+0.1626
Thailand	[illegible]	38.6258	+0.0601

†SDR rate for Aug 17. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Aug 18		Closing mid-point	Change on day
Europe			
Austria	[illegible]	[illegible]	-0.101
Belgium	[illegible]	[illegible]	-0.243
Denmark	[illegible]	6.1397	-0.0528
Finland	[illegible]	5.1231	-0.0554
[illegible]	(FFr)	[illegible]	-0.0395
Germany	[illegible]	[illegible]	[illegible]
Greece	[illegible]	234.300	-2.05
Ireland	[illegible]	[illegible]	+0.007
[illegible]	(L)	[illegible]	-4.42
Luxembourg	[illegible]	31.8950	[illegible]
Netherlands	(Fl)	[illegible]	-0.0164
Norway	[illegible]	[illegible]	-0.0808
Portugal	(Es)	158.900	-1.2
Spain	(Pta)	129.950	-0.275
Sweden	(SKr)	7.8017	-0.0648
Switzerland	(SFr)	1.2991	-0.0118
UK	(£)	1.5457	+0.0069
Ecu	-	1.2284	+0.0098
SDR†	-	[illegible]	-
Americas			
Argentina	[illegible]	[illegible]	-
Brazil	[illegible]	[illegible]	-0.003
[illegible]	[illegible]	1.3794	+0.0032
[illegible]	(New Peso)	[illegible]	-0.0185
USA	($)	-	-
Pacific/Middle East/Africa			
Australia	[illegible]	[illegible]	-0.0009
Hong Kong	[illegible]	[illegible]	+0.0009
India	(Rs)	31.3700	+0.0025
Japan	(Y)	99.0250	-1.235
Malaysia	(M$)	[illegible]	-0.0061
New Zealand	(NZ$)	[illegible]	-0.0067
[illegible]	[illegible]	[illegible]	-
Saudi Arabia	(SR)	3.7504	-
[illegible]	[illegible]	[illegible]	[illegible]
S Africa (Com.)	(R)	3.5783	-0.0085
S Africa (Fin.)	(R)	[illegible]	-0.085
South Korea	(Won)	803.750	-0.2
[illegible]	(T$)	26.4700	-0.013
[illegible]	(Bt)	24.9900	-0.05

†SDR rate for Aug 17. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Aug 17. Base average 1990=100.

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Aug 18		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	21.34	[illegible]	407.5	[illegible]	[illegible]	2.028	[illegible]	3.136	310.5	2.552
Denmark	(DKr)	51.95	[illegible]	[illegible]	2.517	[illegible]	[illegible]	[illegible]	11.09	256.8	211.7	12.71	2.118	[illegible]	2.247	1.629	161.3	1.326
France	[illegible]	60.08	[illegible]	[illegible]	2.911	1.225	[illegible]	3.268	12.82	[illegible]	[illegible]	14.88	2.446	1.216	2.597	1.884	186.5	1.533
Germany	[illegible]	[illegible]	3.972	3.436	1	[illegible]	[illegible]	1.123	[illegible]	[illegible]	84.09	5.048	[illegible]	0.419	[illegible]	0.647	64.09	0.527
Ireland	(I£)	[illegible]	[illegible]	8.086	2.356	1	[illegible]	[illegible]	10.37	242.2	[illegible]	11.89	[illegible]	0.988	2.103	1.525	151.0	1.241
Italy	[illegible]	2.014	[illegible]	[illegible]	[illegible]	[illegible]	100.	0.110	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000; Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

Rows for Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, UK, Canada, US, Japan and Ecu: [illegible]

EMS EUROPEAN CURRENCY UNIT RATES

Aug 18	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.19672	2.14032	-0.00429	-2.57	6.58	[illegible]
Germany	1.94964	1.90600	-0.00407	-2.24	6.22	[illegible]
Belgium	40.2123	39.3441	-0.0098	-2.16	6.13	16
France	6.53883	6.54984	-0.00089	0.17	3.68	-1
Ireland	0.808628	0.810075	+0.002263	0.28	3.55	-2
Portugal	192.854	195.977	+0.087	1.62	2.18	-11
Denmark	7.43679	7.58331	-0.00132	1.97	1.84	-12
Spain	154.250	160.176	+0.558	3.84	0.00	-27
NON ERM MEMBERS						
Greece	264.513	288.831	-0.363	9.22	-4.92	-
Italy	1793.19	1955.88	+5.86	9.07	-4.78	-
UK	0.786749	0.795688	+0.003682	1.54	2.26	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM — [illegible]

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100 — [illegible]

■ **SWISS FRANC FUTURES** (IMM) — [illegible]

■ **STERLING FUTURES** (IMM) £62,500 per £ — [illegible]

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound) — [illegible]

WORLD INTEREST RATES

MONEY RATES

[illegible]

EURO CURRENCY INTEREST RATES

[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris interbank offered rate — [illegible]

■ **THREE MONTH EURODOLLAR** (LIFFE) $1m points of 100% — [illegible]

■ **THREE MONTH EUROMARK FUTURES** (LIFFE) DM1m points of 100% — [illegible]

■ **THREE MONTH EUROLIRA INT.RATE FUTURES** (LIFFE) L1000m points of 100% — [illegible]

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100% — [illegible]

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100% — [illegible]

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100% — [illegible]

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100% — [illegible]

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100% — [illegible]

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100% — [illegible]

UK INTEREST RATES

LONDON MONEY RATES

[illegible]

UK clearing bank base lending rate 5¼ per cent from February 8, 1994

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100% — [illegible]

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100% — [illegible]

BASE LENDING RATES

[illegible]

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Aug 18 / Sch)

BELGIUM/LUXEMBOURG (Aug 18 / Frs.)

DENMARK (Aug 18 / Kr)

FINLAND (Aug 18 / Mka)

FRANCE (Aug 18 / Frs.)

GERMANY (Aug 18 / Dm.)

ITALY (Aug 18 / Lira)

NETHERLANDS (Aug 18 / Fls.)

NORWAY (Aug 18 / Kroner)

SPAIN (Aug 18 / Pta.)

SWEDEN (Aug 18 / Kronor)

SWITZERLAND (Aug 18 / Frs.)

PACIFIC

JAPAN (Aug 18 / Yen)

AUSTRALIA (Aug 18 / Aus$)

HONG KONG (Aug 18 / H.K.$)

MALAYSIA (Aug 18 / MYR)

SINGAPORE (Aug 18 / S$)

NORTH AMERICA

CANADA

TORONTO (Aug 18 / Can $)

4 pm close

MONTREAL (Aug 18 / Can $)

4 pm close

AFRICA

SOUTH AFRICA (Aug 18 / Rand)

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994, except Toronto & Montreal (daily). ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO - MOST ACTIVE STOCKS: Thursday, August 18, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	7.8m	374	-1	NKK	3.8m	269	
Sumitomo Mtl	7.6m	339	-1	Sumitomo Chem	3.5m	575	-3
JAL	5.8m	773	+13	Kawasaki Steel	3.4m	417	-6
Mitsubishi Hvy	4.2m	814	+3	Minebea	3.3m	851	
Kobe Steel	4.1m	324	-6	JGC Corp	3.2m	1760	+30

INDICES

	Aug 18	Aug 17	Aug 16	1994 High		1994 Low	
Italy							
Banca Comm Ital (1972)	644.53	649.22	654.15	817.17	10/5	[illegible]	10/1
MIB General (4/1/94)	1042.0	1049.0	1056.0	1318.00	10/5	944.00	10/1
Japan							
Nikkei 225 (16/5/49)	20682.77	20624.56	20786.30	21552.81	13/6	17369.74	4/1
Nikkei 300 (1/10/82)	302.79	302.79	301.62	311.71	13/6	259.22	4/1
Topix (4/1/68)	1683.09	1683.75	1659.88	1712.73	13/6	1445.97	4/1
2nd Section (4/1/68)	2456.52	2473.55	2470.91	2542.86	9/7	1873.33	4/1
Malaysia							
KLSE Comp.(4/4/86)	1136.34	1128.14	1108.18	1314.46	5/1	838.33	4/4

** Sat Aug 13: Taiwan Weighted Price 6503.91; Korea Comp Ex (c). Base values of all indices are 100 except: Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp/Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 25 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours Index: Aug 18 - 2154.44 -15.12

US INDICES

■ RATIOS

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Change on day
Merck	5,617,100	34	+⅛
Amer Cyan	4,876,600	96¼	+2⅛
K Mart	4,206,200	18	+⅛
Compaq	3,608,900	37⅛	+⅛
Gen Motors	3,255,200	51	—
Ford Motor	3,162,700	30⅝	+⅛
Chrysler	3,025,000	48⅝	+⅛
IBM	2,845,200	64⅝	+⅛
McDonalds	2,772,200	28⅝	+⅛

■ TRADING ACTIVITY

	Aug 17	Aug 16	Aug 15
Amex	13,379	13,888	11,583
NASDAQ	305,442	273,649	224,385
NYSE			
Issues Traded	2,880	2,887	2,858
Rises	1,190	1,282	1,050
Falls	963	904	1,044
Unchanged	707	701	782
New Highs	65	55	38
New Lows	28	47	49

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Aug	2038.0	2018.0	-30.0	2040.0	2014.0	-	22,827
Sep	2046.0	2024.0	-29.5	2048.0	2023.0	450	28,186
Oct	2058.0	2033.0	-30.0	2058.0	2032.5	-	1,426

Open interest figures for previous day.

† Correction. * Calculated at 15.00 GMT. ⊕ Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♠ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

4 pm close August 18

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994 High	1994 Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
17¾	13⅜	AAR	0.48	3.3	479	140	14⅜	14¼	14⅜	
16⅝	12⅝	A L Labs A	0.18	1.3	33	263	14¼	14⅛	14¼	+⅛
75¾	57⅝	AMP	1.68	2.3	25	843	73⅛	72¾	72⅝	-⅛
72¾	52⅞	AMR			98	4577	57½	56⅛	56¾	-1⅛
5	3⅞	ARX			14	330	4⅛	4	4⅛	
58⅛	38⅝	ASA x	2.00	4.3	30	1220	46½	45¾	46¼	+1
31⅞	25⅜	Abbtl.	0.76	2.5	17	11805	30¼	29⅞	30¼	-⅞
13¾	11⅞	Abitibi Pr	0.50	3.8	9	14	13⅛	13	13	
23⅝	17⅞	ABM Ind	0.52	2.3		123	22⅜	22⅛	22¼	-⅛
14⅞	11⅛	Acptocells			26	109	14⅛	13⅞	14⅛	+⅛
31	22¾	ACE Ltd	0.44	1.9	3	108	24	23½	23½	-⅛
12½	10⅛	ACM Gvt In	1.08	10.3		133	10¾	10⅝	10⅝	-⅛
10⅛	7¾	ACM GvOpp	0.80	10.1		121	7⅞	d7¾	7⅞	+⅛
10⅝	7⅝	ACM Gvt Sp	0.96	12.4		180	7¾	d7⅝	7¾	+⅛
12	8⅞	ACM Gvt Se	1.09	12.2		734	9⅛	9	9	-⅛
11¾	8⅜	ACM Mgn	1.08	12.7		97	8⅝	8½	8½	-⅛
9¼	8	ACM Managd	0.72	9.0		260	8	d8	8	
15½	8¾	AcmeClv	0.44	3.7	14	94	12	11⅝	12	+⅛
9⅞	6½	Acme Elect			7	159	9¼	9	9	
28¾	23	Acordia	0.60	2.3	13	2	25¾	25¾	25¾	+⅛
11	5¾	Actava	0.36	3.1	3	4480	u11¾	10¾	11½	+1
15⅝	11¼	Acuson			100	22	13⅛	13	13⅛	+⅛
18⅞	16½	Adams Expr x	0.48	2.8	0	98	17¼	17⅛	17¼	
64	48½	Ad Micro	3.00	5.1		28	59⅛	58¾	59⅛	+⅛
[illegible]										

- A - (cont.) · - B - · - C - · - D - · - E - · - F - · - G - · - H - · - I - · - J - · - K - · - L - · - M - · - N - · - O - · - P - Q - · - R - · - S -

Continued on next page

4 pm close August 18

NYSE COMPOSITE PRICES

Continued from previous page

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NASDAQ NATIONAL MARKET

4 pm close August 18

[illegible]

AMEX COMPOSITE PRICES

4 pm close August 18

[illegible]

FINANCIAL TIMES Friday August 19 1994

AMERICA

New inflation threat takes Dow lower

Wall Street

US stocks posted modest losses yesterday morning as bonds retreated in the face of fresh evidence of inflation, *writes Frank McGurty in New York.*

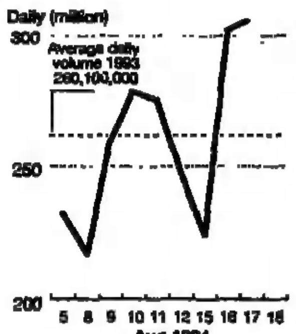
By 1 pm, the Dow Jones Industrial Average was 5.18 lower at 3,771.30, while the more broadly based Standard & Poor's 500 was down 1.07 at 464.10.

Volume on the Big Board was moderate, with 162m shares traded by early afternoon. Declining issues led advances by an eleven to seven margin.

In the secondary markets, the American SE composite was off 0.80 at 444.14, but the Nasdaq composite added 1.36 at 744.02.

Although the Fed's decision to lift short-term interest rates was supposed to have cleared the way for a sustained upturn, Treasury bonds tumbled again on the news of mounting inflationary pressures.

NYSE volume



The catalyst was the monthly survey conducted by the Federal Reserve Bank of Philadelphia, which offered evidence that manufacturers were passing along the higher cost of raw materials to customers. The data also raised doubts about earlier suggestions that monetary policy was on hold for the next couple of months.

In spite of the sharp downturn by bonds, equities managed to limit their losses. International Business Machines helped steady the Dow industrials with a $1½ gain to $66½. The stock benefited from a report on the inroads made by IBM in the school computer market, an area which was once dominated by Apple.

Coca-Cola added $1 to $47⅝ a day after it emerged that the investor, Mr Warren Buffett, had increased his stake.

In the capital goods sector, Caterpillar was down $1½ at $107⅞ and Deere gave back $⅝ to $67⅞ after a $2⅛ gain during the previous session.

Navistar International rose $⅜ to $14⅞ as the truck and engine manufacturer posted improved third-quarter profits and raised its projections of North American demand for heavy-duty trucks this year.

Varity improved $1 to $35⅝ after the company said that net income on continuing operations had doubled in the second quarter to 50 cents a share.

Joy Technologies, which makes coal mining machinery, jumped $1⅞ to $11⅞ after agreeing a merger with Harnischfeger, a rival equipment maker. News of the stock swap sent Harnischfeger's share price $1 lower to $22⅞.

In pharmaceuticals, Abbott Laboratories was marked down $1⅛ to $29⅝ after Smith Barney downgraded the issue on a valuation basis.

Shares in Schering-Plough, which had appreciated about 15 per cent this month on takeover speculation, gave back $1⅞ to $69⅝. Salomon Brothers took the stock off its "buy" list because of its current price.

The Nasdaq, which was outperforming the other indices for the second straight session, was held back by a $3⅛ decline in Lotus Development to $42⅞. The selling followed cautious comments by at least two Wall Street analysts.

But the index managed to stay in positive ground, with Novellus Systems up $2⅛ at $45, Applied Materials $1 ahead at $53 and Oracle $$\frac{9}{16}$$ firmer at $40⅞.

Canada

Toronto stocks were easier at midday in slow trading activity as the market looked for new direction following the interest rate increases in the US earlier in the week.

The TSE 300 index was down 11.18 at 4,194.09 in volume of 31.2m shares valued at C$389.1m. Declining stocks led advances by 280 to 217, with 319 issues unchanged.

Mexico

Equities opened lower as investors continued to take profits ahead of the presidential elections at the weekend.

In early trading the IPC index was off 15.64 at 2,684 in turnover of 127.7m pesos. Volume was 11.2m shares.

Telmex, the national telephone monopoly, led shares lower as its New York-traded ADRs fell back, dragging the local shares with them. Telmex "L" series shares, which are available to foreign investors, lost 6 centavos, or 0.5 per cent, at 10.96 pesos.

Brazil

São Paulo stocks were up 1.3 per cent at midday, but off the morning's highs, as a rally founded on positive political and economic expectations continued for the third straight session.

The Bovespa index gained 652 at 50,341 in turnover of R$299m ($334m).

Bullion rise lifts gold issues

A late rise in the bullion price to $380 an ounce encouraged gold and related shares, and the sector index saw the day's best performance, climbing 29, or 1.4 per cent, to 2,181.

The overall index shed 11 to 5,813 and industrials gained 5 at 6,610.

De Beers fell throughout the session after the previous day's advance, shedding R3.75 to R109.50. Anglos rose 50 cents to R257.50 and Minorco receded 75 cents to R111.75.

Randgold finished 25 cents off at R8.50 after a session's low of R8, in reaction to shareholder approval of a management takeover.

In golds, Freegold moved forward R1.50 to R68, Loraine added 50 cents at R20 and Joel gained 15 cents at R6.80.

Elsewhere, Sasol hardened 50 cents to R31.25.

EUROPE

BASF first-half results disappoint the optimists

With the Bundesbank unwilling to move, bourses lacked the additional impetus on key rates that some analysts expected, but there was a stream of major corporate results to keep interest alive, *writes Our Markets Staff.*

FRANKFURT weakened from a Dax high of 2,161.37 before the Buba announcement to close 8.73 lower at 2,153.56, easing a fraction more after hours to close the afternoon at an Ibis-indicated 2,151.44.

Turnover fell from DM7.8bn to DM5.9bn. Progress reports came from Volkswagen, in the automotive sector, and from BASF, Henkel and Gehe, the last three all broadly in or around the German chemical industry.

A 41 per cent rise to DM683m in BASF's half-year pre-tax profits came in below most analysts' forecasts, which ranged from DM700m to well above DM1bn. This left the shares DM3.20 lower at DM326.50, with a further fall to DM324.10 after hours.

The other members of the "big three" chemicals trio, Bayer and Hoechst, are due to report next week. Bayer, the least cyclical of the three and less favoured in the pre-results excitement of recent weeks, fell only DM1.70 to DM368.20 at the end of the day; but Hoechst, burdened with short-term gains after the recent tale that it could turn ozone into oxygen, fell DM6 to DM351.

Mr Martin Glen at Lehman Brothers said BASF had restructuring and its own particular attribute, a line for "other expenses", before it came to the pre-tax level. Given the unpredictability of this effect the BASF figures, he added, would not alter his forecasts of bumper results from Bayer and Hoechst next week.

Volkswagen slipped in spite of forecasting a break-even for the full year, dropping DM4.50 to DM508.50; Henkel reported an increase of more than 10 per cent in first-half profits and fell DM9 to DM585 late in the day; but Gehe, in the recently embattled pharmaceuticals sector, forecast a rise in pre-tax profits this year from DM193m to DM250m, and left its shares DM7 stronger at DM595.

PARIS finished 1.2 per cent down under pressure from the bond market and the weaker dollar. The CAC-40 index declined 24.44 to 2,010.54 in turnover of FFr2.5bn.

Pinault-Printemps dipped FFr9 to FFr920 on news that it was acquiring a 66.6 per cent stake in the FNAC retail chain, following an agreement with the minority shareholder Générale des Eaux, down FFr7 at FFr536.

Euro-Disney slipped 25 centimes to FFr10.35 after announcing that the finance director was to leave the group following the completion of its restructuring programme.

AMSTERDAM moved lower as a further batch of corporate results disappointed investors, while scant attention was given to the formation of the new government, which was expected to be sworn in formally on Monday.

The AEX index slipped 3.53 to 414.17.

Van Ommeren, the Rotterdam-based transport and storage group, fell back after announcing lower than expected first-half results, closing off Fl 2.40 at Fl 53.30. The company announced a first-half net profit of Fl 24.1m, against analysts' expectations of between Fl 23m and Fl 30m.

Fokker closed unchanged at Fl 16.80 ahead of its first-half results, showing a drop of 54 per cent over the same year-ago period, which came in after the close. The aircraft manufacturer commented that in spite of the first-half figures, it expected results for the full year to show an improvement on an annual basis.

Among second-tier stocks, Getronics, the computer services company, moved Fl 2.20 higher to Fl 51.90 after pleasing the market with a 19 per cent increase in first-half profits.

MILAN greeted the first day of the new account with a slight loss, and brokers remarked that trading activity continued to be downbeat in light of the political problems overhanging the market.

The Comit index receded 4.39 to 644.83.

At the start of its capital increase, BCI fell an effective 1.2 per cent to L3,550 as its L2,300bn rights issue, priced at L3,000, came on stream. The capital increase programme, which aims to raise some L2,360bn, is due to run for the length of the September account.

Telecom Italia made its debut on the market yesterday – it replaced the quotation for Sip – and the shares closed at L4,190, up L75.

ZURICH had an unhappy day, depressed by a fall in German bund futures, the weak dollar and a continued hammering, said Mr Frederick Hasslauer at Bank Sal Oppenheim, for domestic bank shares after the shock of the SBC results.

The SMI index fell 15.8 to 2,583.5. In the banking sector, SBC lost another SFr7 at SFr371 and UBS fell SFr8 to SFr1,114. In industrials, Brown Boveri tumbled SFr30 to SFr1,215 on further profit-taking after good first-half results from its Swedish/Swiss parent group ABB.

STOCKHOLM rallied, supported by good half-year results from Ericsson and a sharp decline in Swedish bond yields. The Affärsvärlden General index moved forward 7.90 to 1,413.90.

Ericsson's 78 per cent jump in half-year pre-tax profits was but a prediction of continued strong growth in new orders and left the "B" shares SKr16 higher at SKr418; the big telecoms group's performance in the New York market later suggested that there might be scope for a further rise today. In this, more elevated, atmosphere Brown Boveri's Swedish partner, Asea, declined only SKr2 to SKr614.

COPENHAGEN had its own banking shock as Den Danske Bank, Denmark's largest banking group, reported an 85 per cent drop in pre-tax profits due to large losses on securities trading.

DDB fell DKr7 to DKr336, its rival Unidanmark, due to report next week, by DKr4 to DKr228, and the KFX index by 1.12 to 110.56.

MADRID featured some individual gains, including a Pta150 rise to Pta11,950 in Bankinter, but most banks and the market were unhappy under pressure from weakness in the bond futures market, and the Madrid General index closed 2.59 lower at 307.08 in thin turnover of Pta21.74bn.

ATHENS fell 2.25 per cent to close below the support level of 880 as investors took profits, especially in the construction sector. The general index lost 20.19 at 876.18.

Turnover was Dr4.58bn in volume of 1.7m shares.

Losers led gainers by 142 to 19, with 20 issues unchanged.

Written and edited by William Cochrane and John Pitt

FT-SE Actuaries Share Indices

THE EUROPEAN SERIES

Aug 18 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1355.85	1353.70	1353.19	1354.55	1351.44	1351.26	1353.06	1352.83
FT-SE Eurotrack 200	1418.20	1416.28	1417.48	1420.22	1414.85	1414.77	1416.00	1415.01

	Aug 17	Aug 16	Aug 15	Aug 12	Aug 11
FT-SE Eurotrack 100	1362.77	1358.59	1361.19	1352.33	1376.03
FT-SE Eurotrack 200	1423.80	1414.41	1407.69	1408.30	1425.70

Base 1000 (26/10/90); Highday: 100 - 1355.85; 200 - 1421.05 Lowday: 100 - 1348.88 200 - 1412.88 † Partial

Den Danske Bank

ASIA PACIFIC

Region mixed, analysts look at earnings prospects

Tokyo

Share prices remained depressed for most of the day as the yen's rise above the Y100 level against the dollar hurt investor confidence, but afternoon buying led by dealers finally supported the Nikkei index, *writes Emiko Terazono in Tokyo.*

The Nikkei 225 average closed 38.21 up at the day's high of 20,862.77 after a low of 20,772.15. The yen's appreciation hit export-oriented electricals, and the index declined in spite of buying by overseas investors. Late index-linked demand from brokers eventually lifted shares.

Volume amounted to 266m shares, down from Wednesday's 356m. The Topix index of all first section stocks lost a marginal 0.66 at 1,663.09 and the Nikkei 300 was off just 0.03 at 302.76. Declines led rises by 505 to 435, with 215 issues unchanged. In London the ISE/Nikkei 50 index slipped 4.54 to 1,349.14.

Overseas investors continued to buy steels and chemicals, but the gains were eroded by profit-taking. Nippon Steel, the day's most active issue, eased Y1 to Y374 and Sumitomo Chemical dipped Y3 to Y575.

In spite of the low trading volumes, Nomura Securities advanced Y30 to Y2,330, while other leading brokerages held steady. With average turnover slowing to Y340bn per day, Baring Securities in Tokyo believed that earnings at the Big Four houses – Nomura, Daiwa, Nikko and Yamaichi – and 10 second tier brokers could be weaker than previous estimates based on a forecast of daily turnover averaging Y450bn.

Meanwhile, Kleinwort Benson in Tokyo, which believed that turnover had bottomed out, was advising investors to include in their portfolios medium-sized brokerages with larger sensitivity to equity commissions.

Multimedia and telecommunications related stocks, which had been firmer on Wednesday, lost ground as profits were taken. Victor dropped Y40 to Y1,350 and Nippon Telegraph and Telephone declined Y1,000 to Y879,000. DDI, the long distance telecom operator listed on the second section, fell Y30,000 to Y1m.

High-technology stocks were lower on the yen's rise: Toshiba receded Y5 to Y764 and NEC Y10 to Y1,230.

Japan Airlines moved ahead Y13 to Y773 on buying led by foreign investors, who expected the company to benefit from a restructuring plan, as well as the sharp rise in overseas travel during the summer holidays.

In Osaka, the OSE average ended 17.40 down at 23,189.90 in volume of 44.1m shares. Export-related shares declined, with Shima Seiki, a machinery maker, losing Y100 at Y8,700.

Roundup

Following this week's increase in US interest rates – a move broadly welcomed by the world's financial markets – analysts yesterday were expecting investors in the south and south-east Asian region to concentrate on earnings growth.

With the exception of Hong Kong, earnings in the region had generally exceeded expectations, they said, assisted by relatively low inflation and interest rates. No slowdown in growth was seen in Malaysia and Singapore in 1995, while Thailand and Indonesia were expected to see an acceleration in earnings momentum.

The one exception to the positive picture was China: most brokers continued to underweight the market in light of the economic and political uncertainties overhanging equities.

SINGAPORE closed higher, boosted by buying of blue chips. The Straits Times Industrial index gained 13.57 at 2,357.97. Analysts expected the market to ease slightly soon, having strengthened 10 per cent since early July.

SEOUL was pushed up by selective interest in blue chips. Both Samsung Electronics and Korea Mobile Telecom set record highs again, Samsung advancing Won3,000 to Won104,400 and Korea Mobile rising the day's limit to end Won10,000 up at Won420,000.

The composite index put on 3.52 at 946.48 and volume rose from 21.1m shares to 30.5m.

TAIPEI fell sharply on heavy profit-taking by institutions. The weighted index ended 59.74 lower at 6,586.16 and turnover was active at T$107bn.

MANILA eased on a technical correction. The composite index ahed 25.63 to 3,004.07, having peaked at 3,054 during the day. Bank of Philippine Islands, one of the country's top five commercial banks, was the most heavily traded, its shares falling 3.6 per cent to 1,060 pesos.

SYDNEY finished mildly firmer, overseas investors having encouraged a recovery from a morning low. The All Ordinaries index was finally 7.3 up at 2,066.8 in volume of 153.7m shares as the market warmed to Wednesday's key interest rate rise to 5.5 per cent. CRA jumped 22 cents to a record closing high of A$19.48.

WELLINGTON's NZSE-40 index softened 4.08 to 2,097.38 in thin turnover of NZ$34m. INL slipped 9 cents to NZ$5.30 ahead of its annual profits announcement today, which promises to be busy with half a dozen companies due to report.

HONG KONG digested Wednesday's sharp gains and the US rate rise, while investors took a close look at the prospects of an increase in domestic key rates and how this would affect equities. Property shares were weak as the Hang Seng index retreated 19.09 to 9,518.89 in turnover down from HK$5.66bn to a preliminary total of HK$3.50bn.

BOMBAY finished at a record closing high as buying by foreign investors and speculators forced local mutual funds to stop their selling and keep to the sidelines. The BSE index was ahead 27.83 at 4,534.33. Gujarat Ambuja Cement rose Rs30 to Rs770 after the company announced a board meeting for today to declare a scrip issue, its annual results and a dividend.

JAKARTA was led higher by a range of blue chips, closing 9.28, or 1.9 per cent, better at 492.88. Analysts suggested that firm foreign sentiment and local bullish interest were the market's main driving factors.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	WEDNESDAY AUGUST 17 1994 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	TUESDAY AUGUST 16 1994 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (68)	174.45	0.8	168.09	110.56	141.51	156.76	1.0	3.51	173.07	166.61	109.87	139.94	155.18	186.15	139.24	143.39
Austria (17)	192.37	0.4	185.35	121.92	156.05	156.02	0.6	1.02	191.67	184.50	121.67	154.97	155.03	195.41	164.64	165.61
Belgium (37)	175.80	0.1	169.39	111.42	142.61	139.33	0.2	3.97	175.70	169.14	111.53	142.06	138.98	176.79	143.82	150.88
Canada (104)	129.77	0.3	125.03	82.24	105.26	123.31	-0.1	2.62	129.37	124.54	82.13	104.60	129.37	148.31	120.54	125.69
Denmark (33)	263.30	0.5	253.69	166.87	213.58	221.76	0.7	1.34	262.08	252.29	166.37	211.90	220.30	275.79	215.92	215.92
Finland (24)	158.52	-0.6	152.74	100.46	128.59	172.28	-0.4	0.81	159.47	153.51	101.23	128.93	172.91	164.23	104.28	113.24
France (97)	176.40	0.8	169.97	111.79	143.09	148.05	1.0	2.96	175.06	168.52	111.13	141.54	146.54	185.37	159.34	160.91
Germany (59)	146.66	0.5	141.51	93.09	119.13	119.13	0.8	1.74	146.17	140.71	92.79	118.18	118.18	147.24	121.78	122.46
Hong Kong (56)	389.74	2.1	375.53	247.00	316.16	386.62	2.0	3.13	381.85	367.59	242.40	308.74	378.85	508.56	286.76	297.29
Ireland (14)	201.90	0.1	194.53	127.95	163.78	187.44	0.3	3.30	201.78	194.25	128.09	163.15	186.91	209.33	161.54	166.03
Italy (61)	78.10	-0.4	75.25	49.49	63.35	92.62	-0.7	1.64	78.44	75.51	49.80	63.42	93.25	97.76	57.68	75.77
Japan (469)	165.75	0.5	159.71	105.04	134.46	105.04	0.3	0.73	164.94	158.78	104.71	133.37	104.71	170.10	124.54	164.72
Malaysia (97)	551.95	2.2	531.83	349.81	447.74	544.34	2.2	1.50	539.86	519.69	342.70	436.50	532.37	621.63	367.07	367.07
Mexico (18)	2263.46	1.8	2180.91	1434.49	1836.07	8425.30	1.7	1.59	2224.63	2141.51	1412.19	1798.67	8284.36	2647.06	1615.11	1688.49
Netherland (27)	213.84	-0.2	206.05	135.53	173.47	170.93	0.1	3.33	214.24	206.24	136.00	173.22	170.81	214.54	176.65	176.65
New Zealand (14)	71.45	0.5	68.84	45.28	57.96	63.36	0.8	3.77	71.08	68.43	45.12	57.47	62.83	77.59	58.21	58.21
Norway (22)	205.87	0.2	198.36	130.47	167.00	191.92	0.5	1.72	205.40	197.73	130.39	166.07	191.03	211.74	165.52	174.10
Singapore (44)	362.48	1.2	349.24	229.71	294.03	251.62	1.2	1.08	358.18	344.81	227.38	289.62	248.64	378.92	271.47	271.47
South Africa (59)	301.61	1.2	290.61	191.14	244.66	297.97	0.9	2.09	297.98	286.85	189.16	240.92	295.38	301.92	175.93	197.81
Spain (42)	142.48	-0.8	137.28	90.30	115.58	140.57	-0.6	4.10	143.66	138.30	91.20	116.16	141.32	155.79	128.35	128.35
Sweden (36)	208.62	-0.2	201.02	132.22	169.23	243.57	0.3	1.64	209.07	201.26	132.72	169.04	242.76	231.35	175.83	188.18
Switzerland (47)	163.00	-0.1	157.06	103.30	132.22	132.47	0.4	1.83	163.13	157.03	103.55	131.89	131.94	178.56	132.02	132.02
United Kingdom (204)	200.42	1.2	193.11	127.02	162.58	193.11	1.3	3.93	198.09	190.69	125.75	160.16	190.69	214.96	181.11	183.54
USA (519)	190.08	0.1	183.13	120.45	154.18	190.08	0.1	2.83	189.96	182.66	120.59	153.59	189.96	198.64	178.96	185.41
EUROPE (720)	172.94	0.5	166.64	109.63	140.29	155.78	0.7	2.98	172.03	165.61	109.21	139.09	154.64	176.58	152.74	152.74
Nordic (118)	208.54	-0.1	200.93	132.16	169.16	206.02	0.3	1.44	208.71	200.91	132.49	168.75	205.39	222.03	173.19	176.87
Pacific Basin (742)	174.60	0.7	168.32	110.71	141.71	115.58	0.5	1.04	173.54	167.06	110.17	140.32	114.87	176.86	134.79	167.80
Euro-Pacific (1462)	173.82	0.6	167.48	110.16	141.00	131.73	0.6	1.86	172.78	166.32	109.68	139.70	130.92	173.89	145.66	161.50
North America (623)	186.32	0.1	179.53	118.09	151.14	185.90	0.1	2.83	186.20	179.25	118.20	150.55	185.81	192.73	175.67	181.71
Europe Ex. UK (516)	154.47	0.1	148.84	97.90	125.30	133.99	0.4	2.42	154.25	148.49	97.92	124.71	133.43	156.12	133.32	133.32
Pacific Ex. Japan (273)	262.32	1.5	252.76	166.25	212.79	230.83	1.7	2.75	258.17	248.53	163.88	208.74	229.98	296.21	198.74	198.74
World Ex. US (1649)	175.18	0.6	168.79	111.02	142.10	135.34	0.6	1.88	174.10	167.59	110.52	140.76	134.51	175.18	145.58	161.56
World Ex. UK (1964)	177.01	0.3	170.56	112.18	142.59	148.41	0.3	2.03	176.40	169.81	111.98	142.63	147.92	177.01	155.98	167.04
World Ex. So. Af. (2109)	178.31	0.4	171.81	113.01	144.64	151.35	0.4	2.21	177.58	170.94	112.73	143.58	150.72	178.56	158.54	168.43
World Ex. Japan (1699)	188.37	0.4	181.50	119.38	152.80	179.86	0.5	2.85	187.62	180.61	119.10	151.70	179.03	189.20	172.71	172.71
The World Index (2168)	179.08	0.4	172.55	113.49	145.27	152.43	0.4	2.21	178.32	171.66	113.20	144.18	151.79	179.08	158.85	168.51

Constituent changes with effect 18/8/94: Deletions: Ricordi Ordinary and Savings NC (Italy). Name changes: SIP (Ordinary and Savings NC) to Telecom Italia (Italy). Latest prices were unavailable for this edition.